NATIONAL INVESTMENT PROMOTION STRATEGY (NIPS)

To Promote An Enterprise-Driven Development

Federal Government of Somalia
Ministry of Planning, Investment and Economic Development

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Somalia Investment Promotion Office (SOMINVEST)

NATIONAL INVESTMENT PROMOTION STRATEGY (NIPS)

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ABBREVIATIONS

AML/CFT	Anti-Money Laundering and Countering Financing of Terrorism
CBS	Central Bank of Somalia
CFLC	Catalytic First Loss Capital
DE4A	Digital Economy for Africa
DE4S	Digital Economy for Somalia
EPAU	Economic Policy Analysis Unit
FIB	Foreign Investment Board
FDI	Foreign Direct Investment
FGS	Federal Government of Somalia
FMIS	Financial Management Information System
FMS	Federal Member States
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Country
IFC	International Finance Corporation
IMF	International Monetary Fund
IPRSP	Interim Poverty Reduction Strategy Paper
IRR	Internal Rate of Return
LPI	Logistical Performance Index
M&E	Monitoring and Evaluation
MoARD	Ministry of Agriculture and Irrigation
MoATA	Ministry of Air Transport and Aviation
MoCI	Ministry of Commerce and Industry
MoIFAR	Ministry of Interior, Federal Affairs, and Reconciliation
MoF	Ministry of Finance
MoFAIC	Ministry of Foreign Affairs and International Cooperation
MoFMR	Ministry of Fisheries and Marine Resources
MoLP	Ministry of Livestock and Pasture
MoPIED	Ministry of Planning, Investment & Economic Development
MoPMT	Ministry of Ports and Marine Transport
MoPTT	Ministry of Posts, Telecommunications and Technology
MoPM	Ministry of Petroleum and Minerals

MoPW	Ministry of Power and Water
MoPWRH	Ministry of Public Works, Reconstruction and Housing
MPTF	Multi-Partner Trust Fund
MTFF	Medium Term Fiscal Framework
NIPS	National Investment Promotion Strategy
NDC	New Deal Committee
NDP	National Development Plan
NEA	National Economic Advisors
NEC	National Economic Council
NEC/NEA	National Economic Council / National Economic Advisors
OoP/OPM	Office of the President and Office of the Prime Minister
OSS	One Stop Shop
PFM	Public Finance Management
PPD	Public Private Dialogue
RCA	Revealed Comparative Advantage
SCCI	Somalia Chamber of Commerce and Industries
SDG	Sustainable Development Goals
SDRF	Somalia Development and Reconstruction Facility
SEDD	Somalia Enterprise-Driven Development
SOMINVEST	Somalia Investment Promotion Office
TVET	Technical & Vocational Education and Training
UNDP	United Nations Development Program
VC	Value Chain (World Bank)

ACKNOWLEDGEMENT

The National Investment Promotion Strategy (NIPS) has been made possible through the tireless work and dedication of the SOMINVEST staff supported by the National Economic Council (NEC). The NIPS development process involved conducting of research and multi-stakeholder consultations. The support from the Federal Government Institutions listed below and Federal Member States for all NIPS consultations in providing timely input that enriched the identified national investment priority sectors was critical in ensuring successful completion of this strategy:

1. Office of the President;
2. Office of the Prime Minister;
3. National Economic Council;
4. Central Bank of Somalia;
5. Ministry of Finance;
6. Ministry of Agriculture and Irrigation;
7. Ministry of Livestock and Forestry;
8. Ministry of Fisheries and Marine Resources;
9. Ministry of Energy and Water Resources;
10. Ministry of Information, Communication and Technology;
11. Ministry of Commerce and Industry;
12. Ministry of Public Works and Reconstruction;
13. Directorate of National Statistics.

The cooperation and support from all the Federal Member States: Puntland, Jubbaland, South West, Galmudug, Hirshabeelle, and the Banadir Regional Administration (BRA), through tireless engagements during the formulation of the Strategy ensured that each state's priorities were taken into consideration. Indeed, the role of the Federal Member States in the development of the strategy was crucial and timely in ensuring its completion and ownership during implementation.

The participation of the private sector, led by the Somali Chamber of Commerce and Industry, the Somali Bankers Association, among other private sector organizations working in the manufacturing, construction and real estate, hospitality and hotel industries, energy and power generation, was critical in ensuring that all investment-related issues and facilitation were taken on board during the formulation of the Strategy. This provided a much-needed enterprise-driven development approach to the strategy's formulation.

Lastly, the preparation of the NIPS was fully supported by the United Nations Development Program (UNDP) through its Capacity for Investment Promotion and Economic Development (CIPED) project. Special appreciations to Peter J. Middlebrook of the National Economic Council (NEC) for conceptualizing the approach outlined in this document and to Albert Soer for his personal contributions and facilitations in the development of the strategy.

National Investment Promotion Strategy (NIPS) would have been impossible to complete without the tireless efforts of the SOMINVEST team members: Mohamed Dubo, (SOMINVEST Director), Hassan A. Farah, Abdi Tawane, Abdiqafar Shire, Abdulkhadar M. Abdulle, Mohamud A. Ahmed and Mohamed H. Mohamed.

FOREWORD BY THE MINISTER

It gives me great pleasure to present this National Investment Promotion Strategy (NIPS) developed by the Federal Government of Somalia in close consultations with our Federal Member States in delivering and accommodating all the necessary resolve needed for financing our 9th National Development Plan (NDP).

I take this opportunity to commend the Somalia Investment Promotion Office – SOMINVEST – at the Ministry of Planning, Investment and Economic Development, for their significant commitment, dedication and drive to the development of this widely consulted NIPS.

We extend sincere gratitude to the Federal Government Institutions and Federal Member States for their facilitative and cooperative roles throughout the consultation period as well as in the validation of this document.

We also express our appreciations to the UNDP's Capacity for Investment Promotion and Economic Development (CIPED) project that has made the development of this document possible.

I wish to underscore that the Ministry of Planning, Investment and Economic Development will not only continue providing the critical support and capacity development of SOMINVEST, but also ensure proper implementation of this strategy in the next five years to guarantee attraction and retention of Foreign Direct Investment (FDI) to Somalia in order to spur economic growth and development.

Through our ambitious National Development Plan, complemented by this Investment Promotion Strategy with emphasis on enterprise driven development, Somalia is poised to make great economic strides over the next several years. We count on our partners to continue their development financing but also consider expanded support in the form of investments, which will prove mutually beneficial to Somalia and foreign investors.

I look forward to working with you all on sustaining our momentum towards the vision pronounced in this strategy, to obtain optimum resolve in the acceleration of economic growth, laying emphasis on macroeconomic stability, primarily by reducing inflation and the current account deficit.

Hon. Gamal M. Hassan

Minister of Planning, Investment and Economic Development

The Federal Republic of Somalia.

EXECUTIVE SUMMARY

The National Investment Promotion on Strategy (NIPS) is underpinned by a set of activities aimed at creating a favorable environment for accelerating both foreign and domestic investment. Given the improving capacity of both Federal and Federal Member States (Puntland, Jubaland, South West, Galmudug, Hirshabeelle, Somaliland and Banadir Regional Administration), the actions proposed here are those expected to have the greatest impact on growth, revenues, jobs and reduce poverty rate.

Notwithstanding the prevalence of droughts and insecurity in many parts of the country, the country's economy has shown a measure of resilience, attributable to private sector activities, particularly in the transport, telecommunications, money transfer and other services sectors. Considerable remittances by the diaspora have also been a lifeline for family incomes and private consumption. International support, both for humanitarian and reconstruction purposes, has increased as development partners have become more confident about the economic and social management of the country.

The NIPS capitalizes on the unique development case of Somalia, including the strategic trading position, extensive coastline, abundant unexploited resources, considerable growth potential and natural capacity for innovation. While the strategy relies heavily on the success of ongoing government-led economic recovery reforms, and support from the international community for the recovery efforts, it explicitly seeks increased contribution from private investment. The Federal Government of Somalia believes, despite an improving revenue base, that the vast majority of services will remain in the hands of the private sector, and that the growth of private businesses is, therefore, critical to growth, service delivery and indeed fiscal resilience. This strategy explicitly addresses the country's over-dependence on external assistance.

WHY NIPS?

In recent decades billions of dollars have been spent by the international community in Somalia. A large percentage of that spend appears to have had limited impact on growth, revenues and employment. International experience shows that the right kind of investments do not simply happen by themselves. NIPS will therefore promote the attraction and retention of certain kinds of deliberately targeted investment (i.e. anchor and ancillary investments).

The Federal Government of Somalia is aware of the following global investment trends, which necessitate the formulation and adoption of the Somalia Investment Promotion Strategy in order to bolster its economy, create jobs and consolidate its economic growth and development: Trends in Foreign Direct Investment; Trends in Remittances; Trends in Regional Economic Cooperation and Integration; Trends in Overseas Development Assistance (ODA) – From Funding to Financing

As the recent drought demonstrated, this vulnerability leads to insufficient capacity to deal with shocks, and drives people under the bottom line of survival, in turn requiring a massive influx of humanitarian assistance that is not sustainable in the medium and long term. Despite decades of external assistance, it seems that the long-term growth impact of such flows has been limited, and the international community is now shifting from foreign aid to development. The NIPS reflects this shift at a critical time in Somalia's history and accepts that meeting the Sustainable Development Goals (SDGs) will largely be achieved by private capital-led trade and investment, not aid.

Without an investment promotion strategy, economic performance will be affected, policy and regulatory reforms will be poorly executed, and the enabling environment for the private sector will remain suboptimal leading to lower levels of investment than would otherwise be the case. In essence, the NIPS identifies the most optimal set of reforms to move towards an enterprise driven development.

NIPS Overall Approach

The overall approach (see section 1) adopted by the Government is to accelerate investment by improving the investment eco-system while pursuing investment promotion through building positive attributes, improving Somalia's image abroad and targeting specific priority investments sectors.

In this regard, proposed reform decisions have been established on the basis of a review of the available data and the following approaches: Evidence-Based Formulation; Commitment to Ongoing Reforms; A Clear Set of Investment Priorities; Improving Investor Protection; Accelerating Revenue Collection; Improving Regional Cooperation; A Regulatory Guillotine Approach; Attracting Foreign Direct Investment; Blended Finance; Investment Promotion Zones.

The NIPS envisions (see section 2) fostering an Enterprise-Led Economic Development in order to accelerate growth,w revenue and employment, which reflect the desire and commitment of the Federal Government of Somalia, in consultation with federal member states, the public, the Somali diaspora and private investors to transform the country's economy into a sustainable high growth trajectory and national recovery. In order for this outcome to be achieved, a number of strategic enablers are necessary to build state capacity to improve the investment and business climate.

Micro Economic Overview

According to the World Bank Report 2019, in 2018 Somalia's economy rebounded from the 2016/17 drought. Real GDP grew by an estimated 2.8 percent, up from 1.4 percent in 2017 but was lower than the forecast of 3.2 percent growth in the previous edition because of newly available trade and fiscal data for 2018 and a revised assessment of the recovery from the drought (see section 3). A rebound in agricultural production and private investment (both domestic and foreign) and sustained remittances and donor inflows contributed to the continued recovery in 2018. While supply-side national accounts data are not available, other indicators point to agriculture and services – especially the financial, transport, telecommunications, and other services – as the drivers of growth.

The Somalia economy reflects an economy dominated by agriculture, but with a number of emerging sectors that will likely see agriculture emerge as a declining function on growth in years to come. While farming, livestock and fisheries dominate output, the growth in non-agricultural sectors such as telecoms, remittances, finance, ports, aviation and small-scale natural resource extraction, have increased their contribution to GDP. Also, while a small number of large corporations dominate the business space, a growing number of Micro, Small and Medium Enterprises (MSMEs) are emerging.[1] The expected growth in these and other sectors (industries and markets) makes Somalia an attractive business destination for both regional and global firms looking for early market development opportunities.

The NIPS provides an over view of Somalia's export potentials, import drivers, logistic performance index [LPI] analysis, business environment, domestic investment, foreign direct investment [FDI] as well as the regional cooperation and trends to form the basis of its context.

The National Development Plan (NDP9) presents high level socio-economic objectives for Somalia, and the NIPS is aligned to the NDP from a strategic objective point of view. However, given the need to learn from the past, adjust to the emerging investment context,

1 A business with a headcount of fewer than 250 people is classified as medium-sized; a business with a headcount of fewer than 50 people is classified as small, and a business with a headcount of fewer than 10 people is considered a micro-business.

and to lay the foundation for the proposed EDD approach, the NIPS outlines a set of priority reform targets, the types of investments needed, and how various institutions and partners can actually implement the actions proposed.

The NDP9 will reflect the changing nature of development – with the shift from the Millennium Development Goals to the SDGs – and the shift from aid to development. The investment measures outlined here are incorporated into the NDP and the impact monitored by the MoPIED, through its Directorate of Monitoring and Evaluation.

National Investment Priority Sectors

The NIPS identifies (see section4) a number of investment priority sectors (high-growth sectors ready to investment), largely reflecting their contributions to Somalia's Gross Domestic Product (GDP). To a large extent the sectors identified by the Federal Government and Federal Member States as well as the private sector representatives during the NIPS consultation process have been captured below, and in most cases these align with the target sectors identified by the NDP: Livestock Sector; Farming Sector; Fisheries Sector; Energy Sector ; Banking & Financial Sector; Information Communication Technology [ICT]/Digital Economy for Somalia (ICT4S); Manufacturing Sector; Transport and Infrastructure ; Human Capital Sector; Service Sector (Education, Health, Sports, Real Estate and Construction, Media and Information, Hospitality and Information).

Illustrative Investments, Modalities and Executions

Implementing the strategy will take considerable effort, and it demands that investment needs, investment types and financing modalities combine to support more optimal investments. Investment types will be determined – on a portfolio and case-by-case basis – based on the outcomes of the following actions (see section 5): Financing modalities; bankable anchor and ancillary projects; evaluate invest-ability and investor appetite; increase efficiency of the existing funding mechanisms; develop due diligence framework; establish working relations with infrastructure financing institutions and map potential investments to selected DINA/RRF priority areas.

The NIPS considers (see section 6) investment matches, public-private partnerships, diaspora and remittances, mobilization of domestic and African wealth, bilateral investments, impact investors as the appropriate investment modalities that can enhance foreign investment flow to Somalia.

The NIPS is an action-oriented strategy. The structures necessary to oversee and drive execution will need to be properly resourced; given that institutional capacity is a precondition for sound policy making for both economic and social development. Effective institutions are required for the private sector to thrive; to ensure proper management of a country's domestic resources and external assistance; and to implement home-grown economic policies and reforms.

The NIPS will achieve this through: the identification and design of investment opportunities; boosting enabling environment; smart financing architecture; economic diversification and innovation;

Theory of Change

The NIPS's overall investment theory of change (accelerating output production, import substitution and export promotion) alongside the principles (i.e. centrality of enabling reforms, private capital), priorities (most essential investments that are achievable) and enablers (supporting hard and soft systems and infrastructure) seek to make the NIPS a reality on the ground.

The precondition of the traditional theory of change is that a long sequence of reforms must be undertaken as part of an overall structural adjustment approach, allowing each change to lay the foundation for the next action. A fairly standard approach to economic development in fragile states is to first improve state capacity, reach political settlement, strengthen the social contract and empower civil society in order to hold governments more accountable. All these change reforms were and still under implementation.

The NIPS will also contribute to diversification of the economy. The overwhelming dependence on a single sector makes the economy vulnerable: Investment needs to contribute to peace and stability; Investment need to contribute to a sustainable productive environment: Over-Arching Theory – An Enterprise Driven Development Approach: Using the Regulatory Guillotine; Being Opportunistic Wherever Possible; Targeting Critical Constraints to Private Enterprise through Public Private Dialogue; Accelerating Blended Finance; Creating Centers of Excellence; Identifying Critical Anchor Investments; Investing in Human Resources, Technical and Vocational Education and Training (TVET) and Business Development Services; A Strong Federal Member State Level Approach.

Finally, critical to the proposed theory of change, is that the NIPS recognizes that practical and implementable measures is preferred over a more theoretically complete approach that never gets off the ground.

Investment Principles

The basic principles (see section 8) upon which the NIPS has been established in relation to investment protocols and approaches of cooperation and coordination are as follows: Non-Discrimination; Protection of Property; Investor Grievances; Simplification of Somalia National Investment Promotion Codes; Public Private Dialogue; National Treatment; Foreign Direct Investment; Diaspora investment; Business Process Simplification through E-governance; Knowledge Economy to Promote Human Capital; Business Process Simplification and Implement Social and Environmental Standards.

Promotion Strategies

The NIPS presents the most optimal plan to achieve government's foreign investment attraction and retention objectives. It builds from a clear understanding of development policy history, but is strongly rooted in the development context of Somalia. Somalia's private sector is a hugely valuable asset and an important partner for Government and development actors.

NIPS will promote (see section 9) Foreign Investments through: easing doing business in Somalia; strengthening statistics and standards; improve access to finance; expand access to electricity; improve land ownership and access; improve revenue administration and mobilization; improve blend finance/ PPP; local content promotion (made in Somalia); foreign investor protection commitments; regional economic cooperation; innovative finance and remittance; sectoral value chain developments; diaspora investment outreach; mainstreaming investment promotion and finally conduct extensive investment promotion roadshows in selected investment promotion zones.

How will the NIPS be Implemented?

Section 10 outlines the NIPS implementation framework and organizational structure necessary for its effective delivery. In this regard, the NIPS will be implemented by the Investment Promotion Office, SOMINVEST with a hands-on approach supported by the MoPIED, and of the Foreign Investment Board. The overall long-term implementation plan will be split into annual work plans, with key performance indicators supported by base, mid and end lines. The overall oversight of the NIPS is provided by the Office of the Prime Minister.

The NIPS is to be executed over a period of five (5) years. This means that the strategy will continue across electoral cycles to guarantee continuity, with each year being underpinned by an annual work plan. Given that changes in government capacity take many years to come to effect, such a time frame allows the careful sequencing of support measures, supported by new research, learning and impact assessment. The strategy will be aligned to the Medium-Term Fiscal Framework (MTFF) and Medium-Term Expenditure Framework (MTEF).

How will Impact be Monitored?

A macro-economic and enterprise dashboard will be developed, within which the baseline is provided, and mid (interim) and end term targets will be established as part of the annual planning and reporting process. Public-private dialogue will be critical to tracking progress, and perceptions will also be included. Outcome and impact level indicators will be tracked by the MoPIED through its Directorate of Monitoring and Evaluation.

1. OVERALL APPROACH

The National Investment Promotion Strategy (NIPS) is underpinned by a set of activities aimed at creating a favorable environment for accelerating both foreign and domestic investment. Given the improving capacity of both Federal Government of Somalia and Federal Member States (Puntland, Jubaland, South West, Galmudug, Hirshabeelle, Somaliland and Banadir Regional Administration), the actions proposed here are those expected to have the greatest impact on growth, revenues, jobs and to poverty reduction.

The country's economy has shown a measure of resilience attributable to private sector activities, particularly in the transport, telecommunications, money transfer and other services sectors. Considerable remittances by the diaspora have also been a lifeline for family incomes and private consumption. International support, both for humanitarian and reconstruction purposes, has increased as Development Partners have become more confident about the economic and social management of the country.

The NIPS capitalizes on the unique development case of Somalia, including the strategic trade position, extensive coastline, abundant unexploited resources, considerable growth potential and natural capacity for innovation. While the strategy relies heavily on the success of ongoing government-led economic recovery reforms, and support from the international community for the recovery efforts, it explicitly seeks an increased contribution from private investment. The Federal Government of Somalia believes, despite an improving revenue base, that the vast majority of services will remain in the hands of the private sector, and that the growth of private businesses is, therefore, critical to growth, service delivery and indeed fiscal resilience. The strategy explicitly addresses the country's over-dependence on external assistance.

1.1 Overall Approach

The overall approach adopted by the Government is to accelerate investment by improving the investment eco-system while pursuing investment promotion through building positive attributes, improving Somalia's image abroad and targeting specific priority investments sectors. In this regard, proposed reform decisions have been established on the basis of a review of the available data; evidence.

i. **Evidence-based Formulation –** Somalia has been going through somewhat a resurgence in terms of data availability, allowing more optimal development pathways to be identified. This strategy builds on existing evidence allowing a sharper focus on removing the primary constraints to the expansion of private capital. Data on macroeconomic development, foreign direct and domestic investment patterns and trends, trade, business and investment climates, capital, land and labor markets, demographics and poverty trends, and environment and climate have been assessed, to determine the most optimal investment strategy;

ii. **Commitment to Ongoing Reforms –** The Government remains committed to a number of ongoing reforms, including those around the IMF Staff Monitored Program (SMP), Public Finance Management (PFM), Public Administration Reform (PAR), revenue collection, treasury management, domestic arrears and cash management, reaching debt relief under the Heavily Indebted Poor Countries (HIPC), improving statistics, as well as considerable investments in improving the business environment in key productive sectors [Farming, Livestock and Fisheries] and key growth enablers (Infrastructure, Financial Services, Labour, Energy & ICT].

iii. **A Clear Set of Investment Priorities –** As everything cannot remain of equal priority, the NIPS will focus on overcoming the most critical constraints to expansion in private investment. Through a wide consultations' process accommodating inputs from all stakeholders at Federal and State levels, a clear set of investment priorities have been identified (see section 4.0).

iv. **Improving Investor Protection –** The Federal Government of Somalia will put in place a comprehensive investor protection framework that guarantees, among other things, national treatment in investment administrative processes, provide physical protection to investors' lives and property, governance safeguards and corporate transparency requirements that reduce the risk of abuse. The framework will ease the possibility of operating a business in Somalia, and seek to attract domestic and foreign trade opportunities.

v. **Accelerating Revenue Collection –** With the nascent but encouraging progress towards functional federal governance, fiscal structures must now be built with urgency to include establishing viable fiscal architecture at the federal and member state level. Building citizen's trust in the government, including strengthening security institutions is critical, as is strengthening the weak and outdated tax regime. Strengthening human resource capacities by recruiting tax experts in the revenue collection departments to address technical challenges in the areas of tax administration, tax policy making, and tax analysis is prioritized. An independent national revenue authority; the Somali Revenue Authority (SRA) will be established, supported by appropriate legal framework, development of tax expertise, systems for proper valuation of imported goods, introduce an efficient and corruption proof clearing port system. Harmonization of tariff systems within the wider regional and global economies is also critical;

vi. **Improving Regional Cooperation –** Regional economic cooperation is essential for market integration, for lowering transaction costs and for opening up markets to both imports and exports. A basket of measures from the Preferential Trade Areas (PTA), Free Trade Area (FTA), and Customs Union (CU), support a common market for goods and services, and it is acknowledged that an economic union can be a significant driver of growth and stability in the Horn of Africa. The Federal Government of Somalia will continue to participate in on-going Horn of Africa economic cooperation and other regional/global initiatives.

vii. **A Regulatory Guillotine Approach**[2] – Given the build-up of regulations spanning many decades, a regulatory guillotine approach is adopted to eliminate outdated laws and regulations, replacing them with modern, unified and simplified regulations that promote Enterprise Driven Economic Development. Such an approach will be adopted here.

viii. **Attracting Foreign Direct Investment –** Foreign Direct Investment (FDI) is critical to bridging financing gaps in key sectors, and though FDI volumes have increased in recent years, the potential for further expansion is obvious. Currently, FDI has been substantially framed by strategic investments such as port concessions and bilateral investment agreements).

ix. **Blended Finance –** In a world of diminishing international assistance, meeting the Sustainable Development Goal (SDGs) demands that development assistance be used – where possible – to de-risk the mobilization of private capital. Given that a range of hybrid financing modalities exist, many of which are based around Public Private Partnerships (PPP), the government will establish a national PPP policy framework and regulations to support modalities that may include Build-Operate-Transfer (BOT) and its variants, Build-Lease-Transfer (BLT), Design-Build-Operate-Transfer (DBFOT) and Operate-Maintain-Transfer (OMT) options.

2 The term Regulatory Guillotine is today a trademark of Jacobs, Cordova & Associates Inc.

x. **Investment Promotion Zones –** To complement the process of regulatory reforms internally, the government, through SOMINVEST, intends to roll out extensive investment promotion roadshows and sectoral events in order to enhance targeted investment flow to Somalia. This will include creating investment promotion zones based on investment relations with Somalia for traditional and new investment sources. The promotion aspect of the NIPS will ensure the right investment is attracted to the country, including the diaspora investment.

2. ABOUT NATIONAL INVESTMENT PROMOTION STRATEGY (NIPS)

2.1 An Enterprise-Led Social Impact Investing Approach

Section 2 provides the overall vision, goals and enablers for the NIPS. This vision and approach are having their primary source in the Recovery and Resilience Framework (RRF), Public Private Dialogue and the Innovation Program, where key answers to complex questions that emerged as summarized below in four groups.

i. **Predictability in investment environment** – Investors, where-ever in the world, are looking for as much as possible stability and security to make their investment, so that return on investment becomes as predictable as possible. The main work here is on the regulatory environment and the nature of the banking system. However, even in times of unpredictability, investors are ready to commit, but the downside is that then they expect premium rates of return, making capital relatively expensive.

ii. **Game changing initial investments or 'anchor investment'** – Some type of investment can generate other investment. For instance, free trade zones, trade corridors, energy, innovation labs are investments that on their own have their returns, but by their nature attract subsequent investment driving on the initial investment; therefore, creating multiplier effects.

iii. **Drivers of business development** – Entrepreneurship is a combination of personal characteristics to do business and the availability of and access to a network of related business and business development services. New technology requires skills and competencies, for which training and TVET arrangements are necessary. Businesses have forward and backward linkages that require networking among these providers. Business development requires services in the sense of business management, marketing, accounting, legal counseling, special product design, etc.

iv. **Access to finance** – No domestic business development will take place on sufficient scale if (new) businesses cannot access (investment or operational) capital. The Recovery and Resilience Framework outlined a strategy that works on the principle that different types of financing are required – mostly simultaneously – to bring a successful investment ecosystem to maturity. Here international development assistance, foreign and domestic private investment, national and international crowdfunding, Islamic financing arrangements, public investment all find their place in financing action that is suitable for the type of financing and that collectively amounts to creating a 'favorable' financing environment.

2.2 NIPS Vision

"To position Somalia as the most preferred investment destination in Africa."

2.3 NIPS MISSION

To reflect the desire and commitment of the Federal Government of Somalia, in consultation with Federal Member States, private sector and the Somali diaspora to transform the country's economy into a sustainable high growth trajectory and national recovery. In order for this to be achieved, a number of strategic enablers are necessary, to build state capacity to improve the investment and business climate.

2.4 NIPS Goal

To foster Enterprise-Led Economic Development in order to accelerate growth, revenue and employment.

2.5 NEED FOR NIPS

In recent decades, billions of dollars have been spent by the international community in Somalia, a large percentage of which appears to have had limited impact on growth, revenues and employment. International experience shows that the right kind of investments do not simply happen by themselves. The NIPS will, therefore, promote the attraction and retention of certain kinds of deliberately targeted investment (i.e. anchor and ancillary investments).

The Federal Government of Somalia is aware of the following global investment trends, which necessitate the formulation and adoption of the Somalia Investment Promotion Strategy in order to bolster its economy, create jobs and consolidate its economic growth and development;

i. **Trends on Foreign Direct Investment** – Global Foreign Direct Investment (FDI) fell by 19% in 2018, further down from 2017, bringing the total level of FDI back to a level seen at the end of the great financial crisis. The decline was concentrated in the developed countries where FDI inflows fell by 40% (largely as a result of US tax reforms leading to capital repatriation). Africa registered a 6% increase in FDI in 2018, though growth was concentrated in a few economies. In Somalia, levels of FDI have increased; [3]

ii. **Trends in Remittances** – Remittances from the Somali diaspora are critical to improving the balance of trade, and as investment flows to key private sector investments;

iii. **Trends in Regional Economic Cooperation and Integration** – Regional economic integration within the Horn of Africa has emerged as a critical driver of economic transformation, calling for anchor and ancillary investments to be carefully deployed; and,

iv. **Trends in Overseas Development Assistance (ODA) – From Funding to Financing** – ODA has shifted from grants and concessionary loans towards a blended finance modality where ODA is deployed to de-risk the expansion in private equity. The aim of much of ODA is therefore to improve the balance of risks and rewards.

As the recent drought has demonstrated, this vulnerability leads to insufficient capacity to deal with shocks and drives people under the bottom line of survival, in turn requiring a massive influx of humanitarian assistance that is not sustainable in the medium and long term. Despite decades of external assistance, it seems that the long-term growth impact of such flows has been limited, and the international community now moves from foreign aid to development. The NIPS reflects this shift at a critical time in Somalia's history and accepts that meeting the Sustainable Development Goals (SDGs) will largely be achieved by private capital led trade and investment, not aid. NIPS will further strive to:

1. Target the right types of investments for Somalia;
2. Attract and retain both domestic and foreign investment;
3. Establish investment modalities that increase domestic and foreign investment;
4. Improve the coordination of public, private and donor financing towards investment.

Without an investment promotion strategy, economic performance will be affected, policy and regulatory reforms will be poorly executed, and the enabling environment for the private sector will remain suboptimal leading to lower levels of investment than would otherwise be the case. In essence, the NIPS identifies the most optimal set of reforms to move towards an enterprise driven development.

3 https://unctad.org/en/PublicationsLibrary/diaeiainf2019d1_en.pdf

2.6 Strategic Enablers

In order to promote private investment, this strategy outlines how change will actually be delivered, given limited state capacity and fiscal resources. As a result, the key focus of this strategy is on prioritization and putting in place the strategic enablers necessary to execute this strategy more efficiently and effectively, and meet the stated objectives. The primary strategic enablers are summarized below:

i. **Security, Law and Order** – The Federal Government of Somalia will continue improving security, law and order and considers it as an important determinant to foreign investment flow to Somalia.

ii. **Investment Promotion is key to Enhancing Somalia as an Investment Destination** – Government aims to sequentially overcome legal, regulatory, procedural and institutional barriers affecting all phases of the investment lifecycle. Somalia will focus on establishing a competitive investment climate that is favorable for attracting, retaining and leveraging investment for sustainable economic growth.

iii. **Build Investment Project Planning and Investment Promotion Capacities** – Improving capacities in project development at the federal and state level promises the ability of Government to turn priorities into practical plans, and establishing project formulation and planning capacities will be prioritized under the NIPS.

iv. **Prioritize Reforms that Support Enterprise Driven Economic Development** – With decades of reforms ahead for Somalia, it has never been more important to focus on simple and actionable priorities that unleash the greater potential of private capital, while also encouraging innovation. The strategy focuses on improving the policy and regulatory regime for private enterprise.

iv. **Focus on Critical Productive and Trade Based Infrastructure** – Improved Infrastructure eases the costs of doing business, market integration, service delivery, and makes Somalia firms competitive. Improving market connectivity by removing critical infrastructure bottlenecks is critical to success; as is putting in place the financing framework to allow infrastructure to be built and sustainably governed.

v. **Invest in 'e-government' and 'e-commerce' Initiatives** – Given the broad adoption of cashless mobile-based technology, the NIPS embraces the ongoing wave of investment into e-government and e-commerce solutions, including establishing one-stop-shops for investors and interoperable service delivery portals for common services;

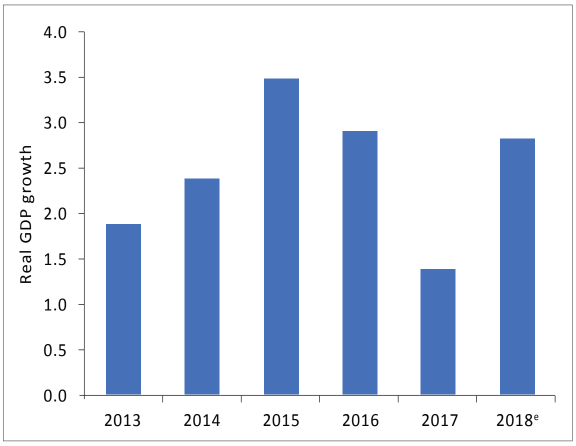
vi. **Focus on Innovation, Incubation and Agile Management** – The NIPS seeks to promote innovation by fostering entrepreneur communities, scaling successes and through designing systems change. With young people very much leading the mobile-technology revolution in Somalia, support for software development, coding and support for agile management are necessary in the context. Somalia's investment in system change implies a process of understanding investment needs, engaging multiple actors, mapping the investment ecosystem, co-creating, distributing leadership and fostering a learning culture.

3 ECONOMIC OVERVIEW

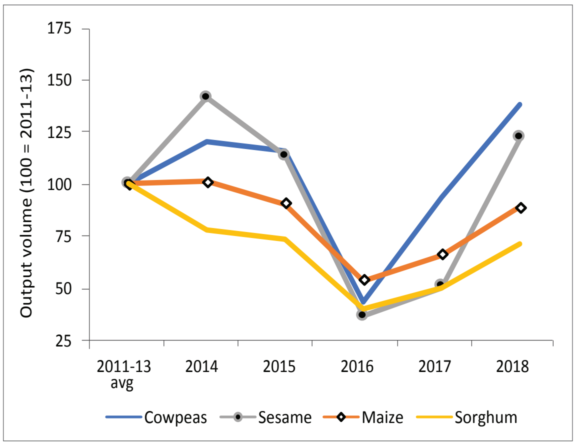
3.1 Macro-Economic Context

According to the World Bank Report 2019, in 2018 Somalia's economy rebounded from the 2016/17 drought. Real GDP grew by an estimated 2.8 percent, up from 1.4 percent in 2017 but was lower than the forecast of 3.2 percent growth in the previous edition because of newly available trade and fiscal data for 2018 and a revised assessment of the recovery from the drought. A rebound in agricultural production on and private investment (both domestic and foreign) and sustained remittances and donor inflows contributed to the continued recovery in 2018. While supply-side national accounts data are not available, other indicators point to agriculture and services—especially the financial, transport, telecommunications, and other services—as the drivers of growth.

The Somalia economy reflects an economy dominated by agriculture, but with a number of emerging sectors that will likely see agriculture emerge as a declining function on growth in years to come. While farming, livestock and fisheries dominate output, the growth in non-agricultural sectors such as telecoms, remittances, finance, ports, aviation and small-scale natural resource extraction have increased their contribution to GDP. Also, while a small number of large corporations dominate the business space, a growing number of Micro, Small and Medium Enterprises (MSEMs) are emerging. [4] The expected growth in these and other sectors (industries and markets) makes Somalia an attractive business destination for both regional and global firms looking for early market development opportunities.



Source: IMF and World Bank staff calculations.
Note: 2018 is a preliminary estimate.



Source: FAO Somalia.

Figure 1: Figure 1.1: Real GDP growth, 2013–18

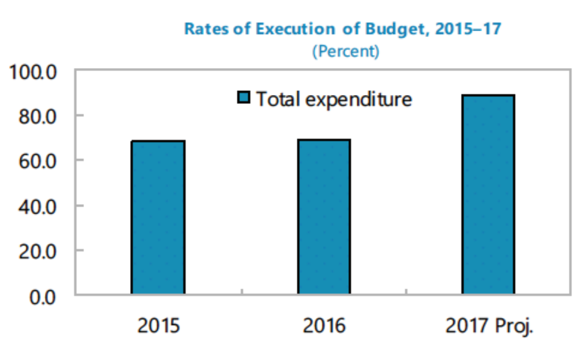
4 A business with a headcount of fewer than 250 is classified as medium-sized; a business with a headcount of fewer than 50 is classified as small, and a business with a headcount of fewer than 10 is considered a micro-business.

Table 1: Selected Economic Indicators 2015-2020

	2015	2016	2017	2018e	2019f	2020f
GDP, nominal (U.S. dollars)	4,049	4,198	4,509	4,721	4,958	5,218
real GDP growth	3.5	2.9	1.4	2.8	2.9	3.2
per capita GDP, nominal (U.S. dollars)	310	313	327	332	339	347
Poverty incidence ($1.90/day PPP)			69			
Money and prices						
CPI inflation rate (end of period)	0.3	1.2	6.1	3.2	3.0	2.7
Private credit growth rate (end of period)	..	46.1	59.3	53.5	..	..
Fiscal (central government)	*share of GDP*					
Total revenue and grants	3.5	4.1	6.0	5.7	6.9	7.2
o/w external grants	0.7	1.4	2.8	1.8	3.0	2.9
Total expenditure	3.3	4.2	5.4	5.7	6.9	7.0
o/w Compensation of employees	1.3	1.3	2.8	3.0	3.2	3.3
o/w Transfers to subnational	0.3	0.2	0.5	0.6	0.7	0.7
Overall balance	0.1	-0.1	0.1	0.2	0.1	0.2
External	*share of GDP, unless otherwise indicated*					
Current account balance	-6.0	-9.4	-9.0	-8.3	-8.3	-8.0
Exports of goods and services	25.6	25.4	22.1	25.9	26.8	26.5
o/w Live animals	12.3	11.7	11.8			
Imports of goods and services	98.5	99.9	102.6	99.6	99.4	97.6
Remittances, private transfers	32.9	32.5	31.5	29.2	28.8	29.1
Official grants	34.9	33.3	40.8	36.9	36.3	34.7
FDI	7.4	7.9	8.2	8.6	9.0	8.9
External debt	112.4	107.4	104.3	99.5	..	..
Exchange rate (Somali shilling/U.S. dollar)	22,285	24,005	23,605	24,475	..	..

Source: Staff estimates, IMF, UN Comtrade.
Note: Livestock exports are based on data reported by trade partners.

According to the IMF Staff Monitored Program (SMP), the Federal Government's continued efforts to broaden the tax base and strengthen tax administration has been reflected in increased domestic revenue, which reached $184 million in 2018 (almost 30 percent higher than in 2017) and $54 million for the first quarter of 2019. The Federal budget execution rates have also been improving, with total expenditures in 2017 greater than US$ 80 million. Budget execution rates for federal member states, have also improved.



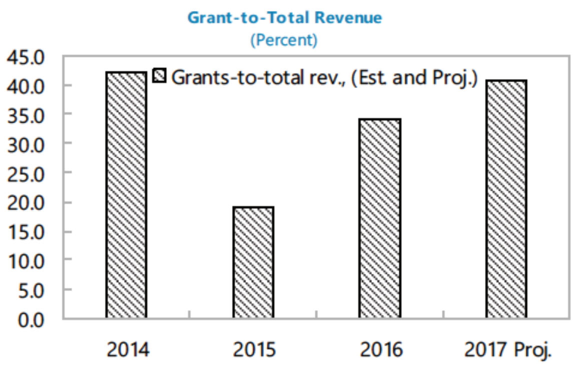


Figure 2: Budget Execution Rate and Grants-to-Total Revenues

In terms of monetary development, Somalia's economy remains highly dollarized, though national authorities have agreed with the International Monetary Fund (IMF) to fast track currency reform as a critical benchmark and to remove the many counterfeit currencies in use, replacing them with a new national currency. The new Somali Shilling (SOS) – once introduced – will not only assist Government in strengthening monetary management, along with planned debt relief, it will allow formal financial markets to emerge and remove financing as a constraint to enterprises. Transition involves exchanging counterfeit currencies in circulation with new banknotes, and is envisaged to be undertaken in the near term. This will contribute to an improvement in the convertibility of the Somalia currency, which is critical for improved trade.

3.2 NIPS & NDP9

The National Development Plan (NDP9) presents high level socio-economic objectives for Somalia, and the NIPS is aligned to the NDP from a strategic objective point of view. However, given the need to learn from the past, adjust to the emerging investment context and to lay the foundation for the proposed EDD approach, the NIPS outlines a set of priority reform targets, the types of investments needed, and how various institutions and partners can actually implement the actions proposed.

The NDP9 will reflect the changing nature of development – with the shift from Millennium Development Goals to the SDGs – and the shift from aid to development. The investment measures outlined here are incorporated into the NDP and the impact monitored by the MoPIED, through its Directorate of Monitoring and Evaluation.

3.3 Export Potential

According to the Observatory of Economic Complexity (OEC), Somalia is the 175th largest export economy in the world. In 2017, Somalia exported $198M and imported $2.23B, resulting in a negative trade balance of $2.04B. The top exports from Somalia are Sheep and Goats, Bovine, Insect Resins, Molluscs and Non-fillet Frozen Fish, using the 1992 revision of the HS (Harmonized System) classification. The top export destinations of Somalia are Oman, China, Japan, France, and Bulgaria. Somalia's main exports are livestock, bananas, skins, fish and scrap metal. Somalia borders Djibouti, Ethiopia, Kenya by land and Yemen by sea.

3.4 Imports

Somalia's trade deficit reflects a heavy dependence on importation of a range of higher value-added products. In 2016 Somalia imported US$ 2.22 billion, making it the 154th largest importer in the world. During the last five years imports into Somalia have increased at an annualized rate of 18%, from US$ 971 million in 2011 to US$ 2.22 billion in 2016. The most recent imports (by value) are led by raw sugar which represent 14% of the total imports of Somalia, followed by rice, which account for 5.78%. As outlined in Table 3 below, Somalia remains heavily dependent on importation of food products and most products that require manufacturing. Product space development opportunities would, therefore, be considerable.

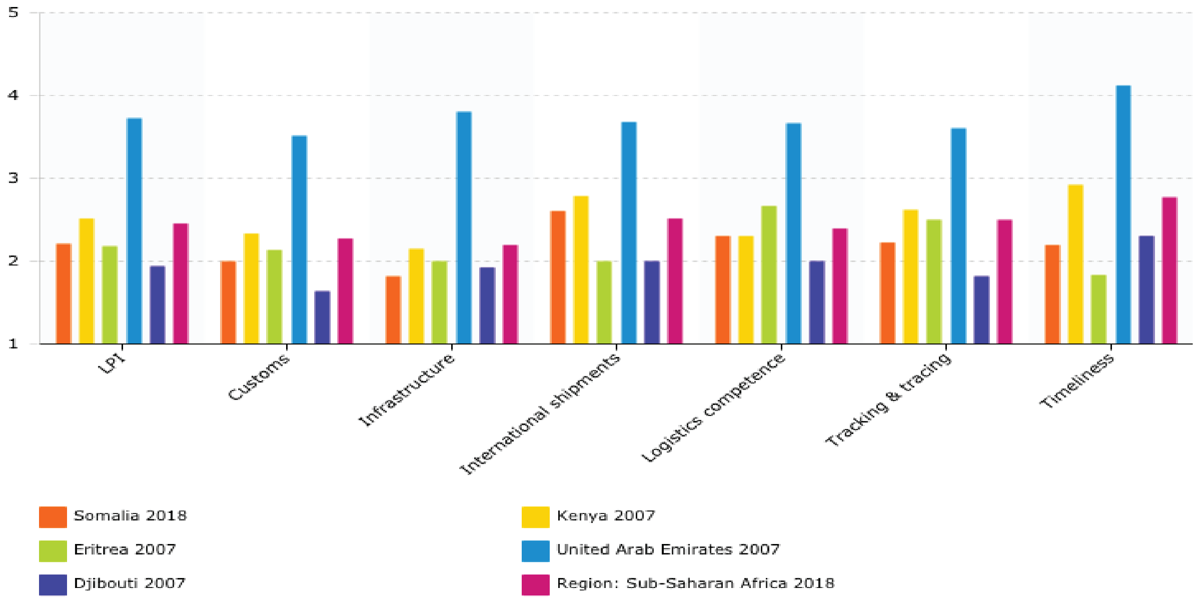
3.5 Logistical Performance Index (LPI)

New ports and trade agreements with Ethiopia in particular, but also within Kenya, reflect a growing focus on logistical performance.[5] In terms of customs, infrastructure, international shipments, logistical competence, tracking and tracing and timeliness, Somalia lags behind its neighbors, with its current capacity being at the same level that Ethiopia was in 2007. In terms of international shipments, Somalia ranks at the same level of Kenya.

5 The Logistics Performance Index (LPI) is the weighted average of the country scores on the six key dimensions: (i) Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs; (ii) Quality of trade and transport related infrastructure (e.g. ports, railroads, roads, information technology); (iii) Ease of arranging competitively priced shipments; (iv) Competence and quality of logistics services (e.g., transport operators, customs brokers); (v) Ability to track and trace consignments; and (vi) Timeliness of shipments in reaching destination within the scheduled or expected delivery time.

The Somalia Transport Sector Needs Assessment and Investment Program outlines investments necessary to improve the overall LPI position of Somalia, making it a more attractive trade, transit and facilitation destination.[6] Figure 5 below provides the LPI ranking for Somalia when compared to important trade partners. Closing the gap between Somalia and its neighbors and strengthening the LPI scorecard will be a priority for the NIPS. In terms of port operators, long term concessions are already leading to improved logistical performance and once planned EPZs are established, improved performance will benefit businesses competitiveness and efficiency.

Figure 3: Somalia Logistical Performance Country Comparisons



Source: World Bank / Somali LPI Scorecard

3.6 Business Environment

Somalia's doing business ranking is improving against a basket of performance indicators. Efforts by the Federal Government and Member States are likely to see a considerable change over the course of the next National Development Plan period. The regional average for Sub-Saharan Africa is 51.61. In targeting reforms that impact enterprise growth, the NIPS aims to address the primary constraints identified through the doing business survey. Figure 6 provides a summary of Somalia's ranking for major topics.

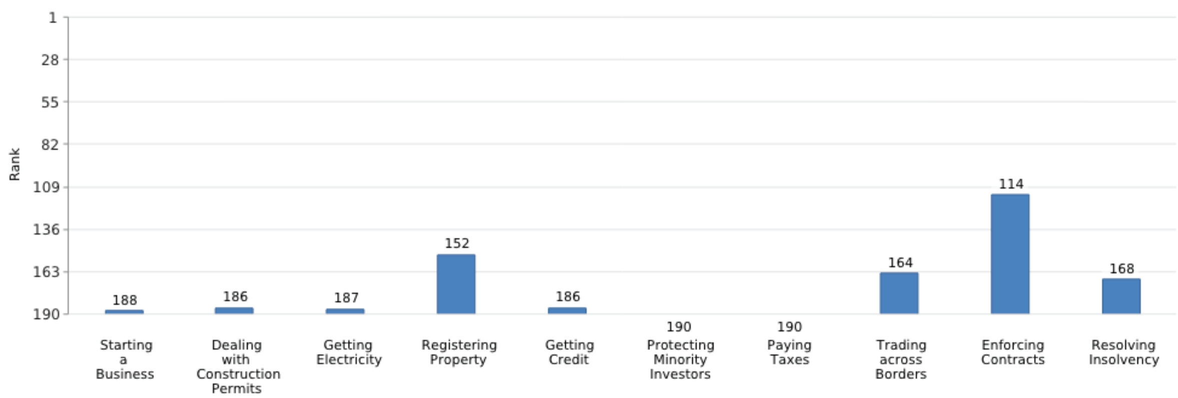


Figure 4: Somalia Doing Business Ranking by Topic

6 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Somalia_Transport_Sector_Needs_Assessment_and_Investment_Programme.pdf

Removing these constraints, in particular (i) dealing with construction permits at the municipal level (ii); improving access to electricity (iii); access to business credit and financing (iv); protecting minority investors (v); and resolving insolvency issues will remain the NIPS investment priority. Business process simplification is required to reduce the time and cost of starting a business. Sales Tax on business is 10%, company tax is 35%, and in terms of withholding tax, interest and royalties are taxed as ordinary income and dividends are exempt. Tax on individuals is graded from 0 to 35% for commercial profits and the tax rate chargeable on salaries and wages is between 0 and 18.9%.

3.7 Domestic Investment

Given that this NIPS focuses heavily on accelerating the number of companies with between 10 and 200 employees, the composition of production, of exports and imports, and of industrial and services business is important to determine. In terms of domestic investors, there are a number of large corporations in the banking, money transfer, telecommunications, airlines, tourism, media, tannery, power, water utilities and consumer services. Somalia leads Africa in mobile money, mainly transacted in US dollars, with billions exchanged annually.

The levels of domestic investment are not clearly documented, though as GDP is dominated by the private sector, domestic investment is in billions of dollars. Of the larger corporate operators, Hormuud Telecom currently employs more than 5,000, Somtel operates out of Hargeisa, and is largely owned by Dahabshiil, which itself is a multinational corporation. Money Transfer Businesses (MTB) (hawala) dominate financial markets and support incoming remittances of over US$ 1.4 billion in 2017, and include companies such as Amal Express, Dahabshiil, Kaah Express and Somali Money Express.

The number of MSMEs is not clearly documented, but where they do exist, they promote entrepreneurship and innovation. Evidence suggests that women may be the main breadwinner in 70 % of households, though their role may not be captured as household head in surveys. In telecommunications and digital finance, agri-businesses (agriculture and livestock), and trade and transportation business are concentrated in the hands of a small number of large-scale operators. Formalization of businesses is to be assisted by the adoption of the Companies Act, the establishment of an Investment Promotion Agency and One-Stop Shop for business registration and investment ecosystem improvement.

3.8 Foreign Direct Investment (FDI)

The Foreign Investment Law was approved by the Federal Parliament in 2015. The law regulates all foreign investment in the country, including FDI. According to UNCTAD, FDI inflows into Somalia reached US$ 384 million in 2017 (UNCTAD 2018 World Investment Report), bringing Somalia back to a level not seen since the late 1980s. Existing FDI stock amounted to US$ 1.7 billion in 2016, increasing to US$ 2.1 billion in 2017.

A construction boom across all major cities in Somalia has hugely increased the rate of fixed capital formation, and long-term port concessions, investments in Special Economic Zones (SEZ) and in the agribusiness, telecommunications, fishing and energy dominate foreign investment interest. Turkish investment in Mogadishu has fueled growth and buoyed appetite for private investment. Potential for small scale industrial development, including salt mining and hydrocarbons is forecast. Other international companies in Somalia include Turkish Airlines, Africa Oil, and Range Resources, Favori, Albeyrak, among others.

Perhaps the largest flow of capital on an annual basis into Somalia is remittances and strategic FDI. Remittances not only support the purchasing power of many families, improving the balance of payments accounts, they also invest in start-up companies, private schools and health facilities. Strategic (sovereign) FDI would include Turkish investment in port operation, reconstructing hospitals, educational institutions and government buildings. Other major strategic investors outside of traditional donors are also emerging interested in ports, economic zones, security sector and increasingly Chinese investments.

3.9 Regional Cooperation[7]

Regional cooperation for development and stability is critical to the next phase of Somalia's development. In February 2018 the Federal Government signed the Trade and Economic Partnership Agreement with Turkey, and in July 2018, Somalia formally became a member of the Common Market for Eastern and Southern Africa (COMESA), underlining the commitment of the Government to improve cooperation.[8] The successful implementation of the Regional Cooperation for Development and Stability Partnership (DSP) will lay the political and diplomatic foundation for improved economic cooperation.

7 For detailed assessment see the NEC study on regional cooperation for Development and Stability Partnership (DSP) draft of November 2018.
8 http://moci.gov.so/en/wp-content/uploads/2019/01/TurkeySomalia-TEPA-Draft-Text-1.pdf

4. NATIONAL INVESTMENT PRIORITY SECTORS

Somalia is open for business, but given limited government fiscal resources, the vast percentage of investment for the NIPS will be mobilized from the private sector, international financial institutions and donors. The infrastructure, services, industrial and service sector investment deficit will require billions of dollars in domestic and foreign investment, and the careful structuring of private investment, joint ventures, special purpose vehicles and other modalities will all play key role in advancing FDI inflow to Somalia. The financing gap, is expected to be in the many billions of dollars, with economic and financial rates of return to vary by opportunity.

The NIPS lays the foundation for promoting economic viability through support to mobilize larger (anchor) investments such as the Economic Promotion Zones, regional transport corridors, larger scale durable housing solutions for protracted internally displaced persons, ports and resource corridors, and public private partnerships in the area of education, health and water provision. Economic zones would allow new regulatory standards to be issued to encourage private equity and either leasehold of freehold arrangements, supporting the expanding service and small industrial sectors, and driving employment. Catalytic financing can support proof of the concept — investments around which anchor investors can be identified.

Grouping investments within an 'anchor, ancillary and spinoff' framework provide for considerable upstream and downstream benefits, as well as forward and backward linkages. These include: (i) Indirect impacts – anchor and ancillary projects spend money on upstream and downstream goods and services; (ii) Spillover Impacts – anchor projects provide demand for the infrastructure services needed to operate and maintain the ancillary projects; (iii) Catalytic Impacts – anchor and ancillary projects improve the productivity of local Micro to Small Medium Enterprises (MSMEs) allowing them to increase value addition; and (iv) Imputed Impacts – anchor projects yield net government revenues, allowing continued investment in infrastructure services.

As no sector or project Economic Rate of Return (ERR) or employment multipliers exist, the NIPS process must seek to solve this problem. Linked to the NDP9, it will also be necessary to identify investment that impact: (i) net revenue mobilization; (ii) economic growth (GDP Per Capita Income); (iii) direct, indirect, induced, and catalytic employment; (iv) policy and institutional enablers; and (v) stabilization. As highlighted below[9], in the longer term more significant anchor investment is required to drive growth and accelerate wealth creation.

The untapped market expansion potential of Somalia is huge. Not a single sector currently operates even at the regional frontier level and so early market entrants can not only shape the market, they can rapidly expand, creating viable businesses in the long run.

The NIPS identifies a number of investment priority sectors (high-growth sectors ready to investment), largely reflective of their contributions to Somalia's Gross Domestic Product (GDP). To a large extent the sectors identified by the Federal Government and Federal Member States as well as the private sector representatives during the NIPS consultation process have been captured below, and in most cases, these align with target sectors identified by the NDP:

1. Livestock Sector;
2. Farming Sector;
3. Fisheries Sector;
4. Energy Sector;
5. Banking & Financial Sector;
6. Information Communication Technology [ICT]/Digital Economy for Somalia (ICT4S);
7. Manufacturing Sector;

9 Source: Geopolicity Inc. (2018)

8. Transport and Infrastructure;
9. Human Capital Sector;
10. Service Sector;
    a) Education,
    b) Health,
    c) Sports,
    d) Real Estate and Construction,
    e) Media and Information,
    f) Hospitality and Information.

This section provides a short sector scan of the above priorities to illustrate the feasibility and viability for increasing both foreign and domestic investment. These sectors are presented here because of their significant contribution to GDP and their revealed comparative advantage, primarily the productive sectors.

4.1 Livestock

Somalia's livestock products for consumption and export are Camel, Cattle, Sheep, Goat and Fish. Livestock provides a source of income, while home consumption of meat and other animal products represents an important source of food security.

Livestock is the most dependable sector of Somalia's productive sectors. According to the National Development Plan, livestock is the main repository of household and national wealth, and the export-oriented pastoralist production system provides an important investment opportunity. In the early 2010s the livestock sector accounted for around 78 percent of total exports though these have been occasionally interrupted by droughts and international export bans in the last three decades.

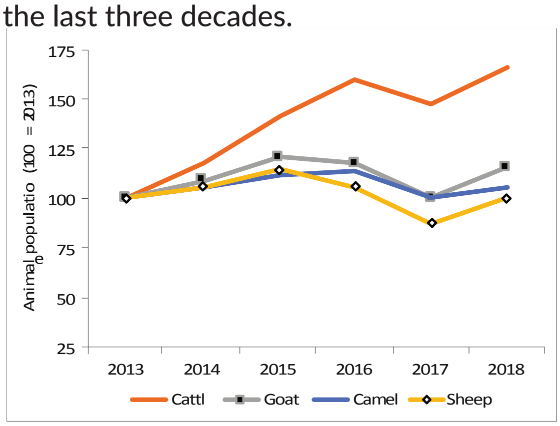


Figure 6 Livestock population, 2013–18

Source: Bank staff estimates using data from FSNAU and MFLR.

Table 2: Livestock Populations in Various Zones of Somalia

Zone	Camel	Cattle	Sheep	Goat	Total Numbers
North-Western	1,308,260	308,960	5,837,320	4,790,000	**12,244,540**
North Eastern	1,347,700	435,890	3,448,720	7,096,180	**12,328,490**
Central	1,003,340	461,860	1,098,680	370,580	**2,934,460**
Southern	1,217,470	1,340,870	707,020	1,860,110	**5,125,470**
Juba Valley	1,417,460	2,061,850	741,860	2,047,800	**6,268,970**
Total	**6,294,230**	**4,609,430**	**11,833,600**	**16,164,670**	**38,901,930**

Source: World Bank-FAO, 2018 "Rebuilding Resilient and Sustainable Agriculture in Somalia"

Table 3 below provides the current composition of agricultural sub-sector output, showing the dominance of livestock. Figures for fishing are not provided though they are assumed to be increasingly important.

Table 3: Agriculture's Share of Somalia GDP

	1980	1986-88	2013-2016
Agriculture	64.4	62.0	-
Livestock and Crops	61.9	55.3	70.9
Livestock and Livestock Products	43.7	37.2	60.7
Crop Production	18.3	18.1	10.2
Other	2.4	6.7	-
Forestry	2.1	6.1	1.5
Fishing	0.3	0.6	-

Source: National Accounts and IMF/World Bank estimates.

According to FAO, livestock sector continues to offer significant growth potential, boosted by continued domestic consumption and export-focused supply with good prices and growing markets in the Middle East region.

According to the Directorate of National Statistics (DNS) at the Ministry of Planning, Investment and Economic Development (MoPIED), exports in current prices amounted to 806 million US Dollars in 2016. Livestock continues to account for some 60.7% of GDP and over 70% of exports.

Despite being a considerable livestock producer, Somalia still has significant potential to attract investments in the production and supply of fresh milk in many major cities. However, very little domestic processing capability exists including canning, packaging, branding and marketing.

Going forward, a diversification of livestock export is critical including development of meat processing capacity in Somalia. With increased investment, smart regulation, infrastructure development, sector coordination and improved branding, Somalia has ample opportunities to capitalize on the growth of the livestock sector in the Middle East and other regions of the world, while supporting the growing local demand.

4.1.1 Livestock Investment Opportunities

i. Milk Processing;
ii. Poultry farms – hatcheries for the production of chicken for both domestic consumptions is under-exploited;
iii. Dairy farming;
iv. Compound animal feed processing plant for poultry, beef and dairy;
v. Meat processing plants;
vi. Technical consulting and support services for livestock;
vii. Investments in diagnosis, Vaccinates, Treats livestock;
viii. Investments in advisory services to livestock owners about animal feeding, behavior and breeding;
ix. Investments in Leather processing and Manufacturing of leather products.

4.2 Farming

According to the 9th National Development Plan, and estimates available from the World Bank/FAO Report, Somalia has about 3 million hectares of cultivable land, of which almost 2.3 million hectares produce or could produce crops under rainfed conditions. The remaining 700,000 hectares could produce crops under pump or recession-controlled irrigation, mainly along the two main rivers, the Shabelle and Jubba. However, only 110,800 hectares are currently irrigated. This is less than half the 222,950 hectares under irrigation just before the civil war and only about 15 percent of the total potential irrigable land. Almost two-thirds of all cultivable land (rainfed and irrigated) is in the southern parts of the country. As a result of low investments in this sector, millions of hectares remain under cultivated.

However, farming continues to be an important economic sector as it currently accounts for about a quarter of overall employment, the second largest export and also plays an important role in meeting the domestic food demand. Somalia offers opportunities to invest in its farming sector as it is currently heavily import-dependent on food, including raw sugar (14%), rice (5.8%), wheat (3.9%), pasta (3%) and other food related products. Export promotion and increased investment in domestic supply chain development would be attractive for investors.

Specifically, SomInvest identified investments in banana, grapefruit, mango, orange, lemon, lime, guava, papaya, water melon, tomatoes, lettuce, onions, peppers, cabbage, pulses, maize, rice, sesame and date palm as potentially high rate of return farming activities. Figure 8 shows the composition of import commodities, and dependence on food imports.

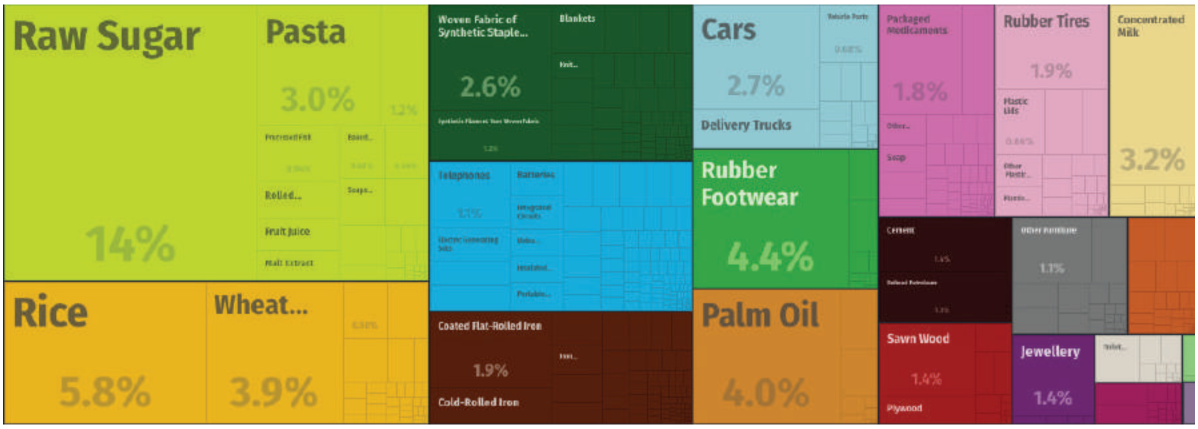


Figure 7: Composition of Import Commodities (%) (2016).

4.2.1 Farming Sector Investment Opportunities

i. Agricultural equipment leasing services in partnership with Somali commercial banks;
ii. Establishment of Agro-processing industries and expansion of existing ones, particularly investments in the sesame value chain (hulling, hosting, tahini etc);
iii. Establishment of agricultural processing zones and industrial parks to add value to farm produce;
iv. Establishment of phytosanitary and health regularity control facilities to ensure that agricultural commodities are up to standard before exports;
v. Expansion of rural credit and microfinance services for agriculture;
vi. Investment in the skills of farmers to utilize state of the Agro-tools and equipment;
vii. Sugar factory investment (JSP and Jowhar Factories)
viii. Irrigation infrastructure development and management at Shabelle and Juba valleys
ix. Somalia Agriculture Research Institute;
x. Extension and Research Services in Somalia;
xi. Dried and fresh lemon/ lime value chain sector investment;
xii. Investment to expand Banana & Tomato Production and Processing, (ITOP Factory);
xiii. Maize, Sorghum, cassava and Rice production and processing investment;
xiv. Date palm and cowpea value chain sectors investment;
xv. Honey production;
xvi. Frankincense value chain and export investment;
xvii. Cotton production and value chain investment (Textile Industry at Baalad);
xviii. Manufacture of sprayers and pesticides controls services;
xix. Cold storage/refrigerated transport for perishable products;

xx. Value chain sector and export investment;
xxi. Large scale irrigation schemes and services to enhance agricultural productivity;
xxii. Invest new bridges across both the Juba and Shabelle rivers to enhance farm and market access;
xxiii. Investments in greenhouses.

4.3 Fisheries

Up to 2.4 million tons of fish have been caught by foreign fleets off Somali waters in the past three decades. The United States Agency for International Development (USAID) placed the economic value of Illegal, Unreported and Unregulated (IUU) fishing at more than US$ 300 million in benefits to other economies. It is, therefore, clear that formalizing the blue economy is critical to Somalia's long-term investment future.

Domestic (commercial) fishing in the blue economy has historically been conservatively estimated at between US$ 135 million annually, based on natural resource extraction along the 3,333 kilometers of coastline and economic exclusion of 200 nautical miles. In 2019 the government, through the Ministry of Fisheries and Marine Resources, granted 31 fishing licenses to the China Overseas Fishing Association in an effort to improve sector regulation, and to generate revenues. The Ministry has reserved 24 nautical miles (44 km) of the coast line for local fishermen. Formal fish exports to Kenya have also commenced.

As a result of the 2018 licensing, the Ministry of Fisheries has become a significant contributor to the annual revenues of the government. Moreover, the potential for private sector value chain development in fisheries remains considerable, with potential spinoff and catalytic impacts on growth, jobs and revenues.

As maritime transport increases both in volumes and frequency, Somalia will make use of its strategic position and long coastlines to facilitate international trade. Prof. Said Adejumobi, the director of the Southern African Office of the UN Economic Commission for Africa (UNECA), calls blue economy as "...Africa's 'hidden treasure' and the African Union hails it as the 'new frontier of African renaissance'. These treasures include coastal waters and maritime resources, which could serve as sources of food, energy, mineral extraction, leisure, good health, science, and technology.

4.3.1 Fisheries Sector Investment Opportunities

i. Value chain development;
ii. Marine products cold storage;
iii. Marine resource processing;
iv. Marine product packaging;
v. Boat building and repairs;
vii. Marine skill development centers;
viii. Marine equipment and supplies.

4.4 Energy

Somalia's economy is growing and needs affordable energy to continue developing. The National energy deficit in the country is considerable proving an opportunity for potential investment. As a priority enabling sector, investments to offer competitive energy prices and alternatives to current energy sources (generators, charcoal) will prove profitable for both investors and government.

According to the AfDB's assessment, the energy mix is dominated by charcoal and firewood; meeting nearly 80 to 90% of the energy needs of the whole country and undermining manufacturing and forest sustainability. Renewable energy sources are a viable and immediate way to increase affordable energy for Somalis.

Investments in renewable energy are multiplying in Africa as the costs of renewable technologies

decrease. Somalia has one of the highest potentials for onshore wind power in Africa and one of the highest rates of daily total solar radiation in the world. The cost of renewable energy options are decreasing and are now often less expensive than diesel options.

Overall, the total installed and operational generating capacity in Somalia is estimated to be 80 to 85 MW and an estimated 250,000 connections. Drops in voltage are frequent and supply is limited to 5 to 6 hours per day. The low tension (480/220 V) over sometimes long distances leads to tension and technical losses with most small generators reporting 40% to 50% power loss.

Renewable energy potential is abundant. The solar energy potential ranges from 5 to 7 kWh/m2/day with over 310 sunny days in a year or 3,000 hours of sunshine per annum. Somalia is also characterized by strong wind regimes with annual average speeds of 1.5 to 11.4 m/s with potential for small hydro power (around 100 to120 MW) along the Shebelle and Juba rivers.

A number of Public Private Partnership (PPP) agreements are in place, using Power Purchase Agreements (PPA). There is huge investment demand in electricity generation, transmission and distribution across major cities and towns in Somalia so that manufacturing can once again thrive and cost of doing business generally gets lowered.

Grid-scale renewable energy projects, as well as off grid and microgrid installations using renewable energy sources such as solar PV and Solar Home Systems are becoming increasingly prominent in Somalia markets. The cost of technology has come down substantially.

The following conditions have primed the energy sector for investments in renewable energy:

i. **A Strong Private Sector** – Private investment and entrepreneurism have fueled development in Somalia;
ii. **Growing Demand and a Track Record of Success** – In the last four years, there has been an expansion of renewable energy investment—from small, standalone solar products like solar light bulbs to renewable energy generation for mini grids. Over 20 renewable energy projects have been constructed in Somalia in the last three years. These projects, such as a 60-KW wind farm in Oog that has brought 24-hour electricity to the city, show the feasibility of renewable energy and stimulate demand for renewable energy solutions;
iii. **Dynamic Local partners** – Several renewable energy companies have established themselves in the past four years throughout the country. These companies can provide local support and expertise that continues to grow with each renewable energy project;
iv. **Progress in the Electricity Sector** – The market of private energy provision has begun to consolidate in many cities, paving the way for more economies of scale. Feasibility studies to revamp and synchronize selected cities' grids, particularly in the north, are underway;
v. **Greater Government Support** – Regional Somali governments have voiced strong interest in renewable energy. Investment in renewable energy is a top priority in several key planning documents for the Federal Somali Government and the federal member states. Somaliland and Puntland states have created a regional energy policy and draft laws and regulations for the energy sector that are currently under consideration.

4.4.1 Energy Sector Investment Opportunities

i. Cable Manufacturing Investment;
ii. Energy training institute to upscale energy labor;
iii. Biomass/Household Energy – since urban consumers, especially the poorest, will continue to depend on biomass energy for decades to come despite incipient efforts at substitution, there is an investment opportunity to address both the supply and demand situations in the country;
iv. Independent Power Production;

v. Power Distribution;
vi. Renewables Energy investments in
   a) Wind power,
   b) Solar,
   c) Geothermal.

4.5 Banking and Financial Sector

About 10 commercial banks and 11 money transfer businesses (MTB) were licensed by the Central Bank of Somalia (CBS). According to the IMF, at the end-September 2017, the commercial banks' total assets and credit to the private sector were about 4 percent and 1.3 percent of GDP, respectively. Nonetheless, banks' assets have continued to improve since 2015, and their capitalization remains broadly adequate. The loan-to-deposit ratio reached 40.1 percent, up from 33.3 percent in September 2016, and credit to the private sector increased to 31.2 percent (as a share of total assets), from 24.8 percent in the previous year.

Some of these private banks are a mixture of money transfer businesses and banking at the same time. Some examples of the mixture services of *hawala* and banking are Dahabshiil Bank International (DBI), Salaam Bank and Amal Bank. Dahabshiil is one of the oldest money transfer companies in Somalia, and Salaam Bank is a sister organization of Hormuud telecom. On the other hand, Premier Bank and the International Bank of Somalia (IBS) are new financial institutions that only offer banking services. These two banking institutions currently provide *Master and Visa Cards* that consumers can use worldwide transactions. The majority of these financial institutions are headquartered in Mogadishu with branches in the regions.

The MTBs play a crucial role in providing financial services in Somalia. In 2017, MTBs provided trade finance amounting to about US$ 2.1 billion. Due to this demand, money transfer businesses continue to dominate the formal and informal financial sector and facilitate the transfer of remittances from the Somali diaspora, donor resources, and foreign investments, and are flourishing.

Despite the fact that the Somali Shillings (SOSh) is not widely used for business transactions, CBS is responsible for regulating the dollarized transactions in the private financial institutions.

In addition to the aid that the country receives due to lack of a strong mechanism for local revenue collections, remittances remain the highly dependent income, mainly for household consumption. As it is indicated in the Ministry of Planning Report on aid flows into Somalia published on May 2019, the ODA to GDP ratio in 2018 was 27%. On the other hand, inflows of Foreign Direct Investment (FDI), according to the Preliminary Report, are rising as is domestic revenue collected by the Federal Government. However, relative to GDP, their levels remain low at 5.5% and 2.6% respectively in 2018.

In 2016, the Federal Government of Somalia passed into law the Anti-Money Laundering and Countering the Financing of Terrorism Act, which was a critical piece of legislation in improving the financial sector confidence.

4.5.1 Banking and Financial Sector Investment Opportunities

i. Online payments processing;
ii. Majority of SMEs lack access to medium- and long-term finance;
iii. Most of the financial institutions provide maximum 3-year payment plans which lowers the real estate growth in Somalia;
iv. Audit firms required to provide banks with auditing and financial control services;
v. Independent ATM operators.

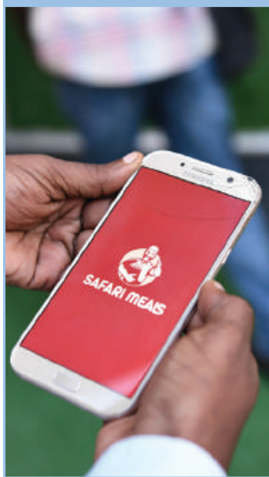
4.6 ICT/ Digital Economy for Somalia (ICT4S)

According to the International Telecommunication Union (ITU), mobile telephony is one of the most far-reaching technologies, and it has developed more rapidly than any other technology in history. The world has seen the total number of active mobile-broadband subscriptions grow from 268 million in 2007 to over 4.2 billion in 2018.

It has had a significant impact on the economy. According to data from GSMA, mobile technologies and services generated 4.5% of GDP globally in 2017 – a contribution that amounted to $3.6 trillion of economic value added. By 2022, this contribution should reach $4.6 trillion.

Somalia is one of the first African countries that has established mobile money platform that has changed the lives of many and facilitated trade and business for corporations and small and medium enterprises (SME's) which are the growth engines of the Somali economy. Mobile money has also contributed immensely to the Somalia's economic recovery.

The Somali digital economy is boosted with the improved logistical and online payment systems that has made E-commerce a reality. The digital economy is taking shape globally and undermining conventional notions about how businesses are structured; how firms interact; and how consumers obtain services, information, and goods.



Professor Walter Brenner of the University of St. Gallen in Switzerland notes that "The aggressive use of data is transforming business models, facilitating new products and services, creating new processes, generating greater utility, and ushering in a new culture of management." Recently, TechCrunch, a digital economy news site, noted that "Uber, the world's largest taxi company, owns no vehicles. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest accommodation provider, owns no real estate... Something interesting is happening."

To this end, the Federal Government is working on establishing E-government framework that connects government institutions to facilitate efficient service delivery and raising the digital skills and values. The government also envisions to expanding the initial communications rooms pilot to support fifteen key ministries and institutions across different economic zones; supporting connectivity and education resource networking for universities—in the main urban centers such as Mogadishu, Garowe and Hargeisa and supporting the development and implementation of effective frameworks for mobile money and for SIM card registration.

The Federal Government of Somalia is also focusing on further extending connectivity from the coast into the interior of the country. The scope of this component depends on correlation with the World Bank's cross-sectoral Horn of Africa regional initiative, public private partnerships, and other co-financing opportunities. Plans to develop an initial strategy and public-private partnership (PPP) options study supporting the ICT sector and broadband connectivity in Somalia are underway.

4.6.1 ICT/ Digital Economy for Somalia Sector Investment Opportunities

i. Software and hardware development;
ii. Market for mobile money services;
iii. High-speed internet for which the market is still unexploited;
iv. The ability to develop ICT in enterprises and schools for better competitiveness;
v. Data Storages;
vi. Metro development for the fiber optic to major towns and cities;
vii. Broadband services;
viii. ICT consultancy services;
ix. Investments in diversification of Fiber Optic cables.

4.7 Manufacturing

Manufacturing is one of the crucial sectors that the Federal Government of Somalia is promoting in order to realize significant export volumes, create more jobs and make the concept of 'Made in Somalia' a reality. Locally manufactured goods should be competitive and offer additional value in order to increase local consumption.

Somalia is currently an import-dependent country. Most of the imports are food related items, which are also locally produced but cannot be processed or manufactured in the country. Substantial investments are needed in order to reduce this import/export imbalance while potentially increasing export once local demand is met. Manufacturing will eventually transition Somalia from an agriculture-based economy to a more resilient and stable industry-based economy with potential diversification to the service-based economy.

Currently, a number of global brands did set shop in Somalia including: Coca Cola, Toyota, Hyundai automobiles, Albayrak, Favori, AR International among others.

4.7.1 Manufacturing Sector Investment Opportunities

i. Special Economic Zones;
ii. Industrial Parks;
iii. Fish Processing Zones;
iv. Investments in Paper Mills;
v. Packaging Manufacturing;
vi. Logistics, Parcel Delivery and Courier Services;
vii. Business System Support- Manufacturing Process;
viii. Warehousing facilities;
ix. Industrial labor Training and Management;
x. Industrial Engineering and Maintenance.

4.8 Transport and Infrastructure

Growth and jobs cannot be created unless productive infrastructure is established, supporting both internal market integration, but also progressive integration within the wider region. Large investments in physical infrastructure and intra/inter-country connectedness are imperative, to ease critical trade and transit bottlenecks. The infrastructure deficit of ports, roads and rail network and other public utilities has been one of the main impediments to cross-border trade and investment, and a major component of the high cost of doing business in the region.

The ports and transport infrastructure require massive investments to bring them back to a functional state, owing to a lack of investment and maintenance over decades. The NIPS promotes an investment strategy for improved infrastructure financing, providing a legal and regulatory framework to leverage private investment and prioritizing transport and other infrastructure projects;

The Transport Sector Needs Assessment (TSNA) and Investment Program for Somalia (2016) provide the most comprehensive baseline for the NIPS, given its focus on demand-based planning. The transport demand assessment for roads, aviation and ports in Somalia was conducted and a transport framework developed. A network load demand analysis was carried out to determine the important road routes, using the population figures of major cities and towns in Somalia and traffic counts where available, and these figures were corroborated by external trade estimates. The current network in the country facilitates movement of approximately 1.2 billion ton-km and 3.2 billion passenger-km. An investment plan of US$ 1.1 billion was established over a ten-year investment period.

i. **Airports** – Somalia has an estimated number of 60 airports, airstrips or airfields evenly spread across the country and developed since independence mainly for military strategic reasons. There are 8 major feeder airports, and 23 other key airstrips. The 8 major feeders include Mogadishu, Berbera, Hargeisa, Bossaso (recently upgraded), Baidoa, Galkayo, Garowe and Kismayo. Almost all other major urban centres also maintain at least one airstrip that is capable of handling a small aircraft. The Turkish company Favori is contracted to manage the operations of Mogadishu airport (Aden Adde International Airport).

ii. **Ports –** Despite the long coastline Somalia has only four deep-water ports, which were constructed in the 1980s. These ports are situated in the economic centres of Mogadishu, Berbera, Kismayo and Bossaso, with only Mogadishu and Berbera handling significant volumes of traffic. Ongoing discussions with Ethiopia on upgrading and greenfield site development promise increased investment flows, and improved trade and transit capacity. Diversifying ports to accommodate service ports, livestock export ports and some that specifically serve neighboring countries such as Ethiopia and Kenya is not only a value addition but also makes Somalia more strategic. The State of Qatar has signed an agreement to build the Port of Hobyo in Mudug region, committing $150M for this development.

iii. **Road Network –** The 21,933km long road network in Somalia is in poor to very poor condition, and only 2,860 km (13%) are paved. A total of 11,434km of all types of roads were identified along the key routes. The length of the primary/main roads, excluding Somaliland, is 2,977km of the nationwide total of 4,124km, of which 2,860km are paved and 1,264km are unpaved or gravel surface. The condition of the paved roads can be classified as poor since more than 90% of the roads have deteriorated and are beyond their design life. The total length of the secondary, feeder and coastal roads (referred to as feeder roads) selected for prioritization by the TNSA is 7,310km.

iv. **Bridges –** Due to the long civil war, Somalia roads and bridges remain in a deplorable situation. As roads construction and repair is in progress most of the bridges require urgent rehabilitation in order to facilitate ease of movement for both people and goods to their respective markets. Access for farmers is extremely difficult under the current bridge conditions.

At design level, all infrastructure projects should consider factoring in the ICT infrastructure components into their design and construction stages, be it roads or bridges, to avoid parallel ICT infrastructure development which will cost the economy greatly later on.

As part of the country's National Development Plan, the country will take advantage of regional economic opportunities/developments and advance National Priority projects for the Horn of Africa Cooperation Initiatives that position Somalia as a strategic hub for trade and ICT in the Horn of Africa region. Somalia, with the support of the State of Qatar has already embarked on the construction of major highways connecting Afgoye and Jowhar to Mogadishu.

Additionally, after a rigorous discussion employing the developed criteria for prioritizing development of regional infrastructure networks, the Horn of Africa regional cooperation participating countries identified the following infrastructure corridors.

4.8.1 Transport & Infrastructure Sector Investment Opportunities

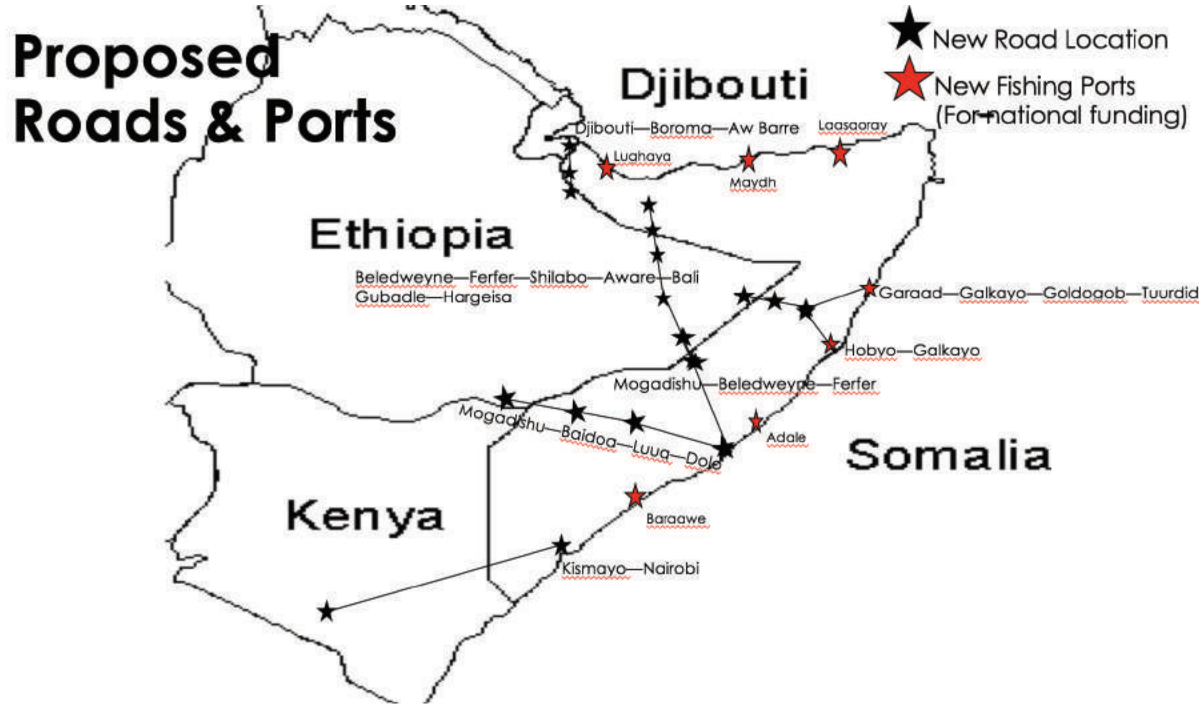


Figure 9: News Road Locations and New Ports for Investments

i. **Southern Corridor –** Kismayo, Lamu and Mogadishu Corridor: Ethiopia (Negele – Filtu – Suftu) to Somalia (Mogadishu - Baidoa – Dolo) and (Kismayo – El-Wak – Mandera) to Kenya (Lamu – Isiolo – Wajir – Mandera).

ii. **Central Corridor** – Mogadishu, and Bossasso Corridor: Ethiopia (Ginir – Gode) to Somalia (Mogadishu – Baladweyn – Ferfeer) and (Tuurdibi – Galdogob – Galkacyo - Bossasso) to Ethiopia (Kebridhar – Warder – Turdibi) and (Ferfer – Warder – Aware – Hargessa) to Djibouti (Djibouti Port - Holl Holl – Dewele).

iii. **Northern Corridor** – Assab and Djibouti Corridor: Ethiopia (Adama – Awash) and (Manda – Bure) to Eritrea (Bure – Assab) to Djibouti (Galafi – Dikhil – Djibouti Port) and (Balho – Tajoura Port)

iv. **Berbera and Djibouti Corridor –** Ethiopia (Harar – Jigjiga) and (Diredawa – Meiso) to Somalia (Togochale – Berbera) to Djibouti (Loyada – Borema - Hargessa).

4.9 Human Capital (Labor)

Skilled workers to meet the critical demands of modern economies and industrialization are of utmost importance for Somalia. The low productivity of the labor force, and the high levels of youth unemployment and under-employment, and attendant outward risky migration that prevails in the sub region are manifestations of the human resources constraints. Intensified and expanded investment in human capital is required to intensify training in engineering and sciences, to establish formal vocational education facilities to meet the skill needs of the regional economy, and to develop entrepreneurship among the youth. While no employment multipliers have been established for Somalia productive and enabling sector clusters, the approach adopted here has been to identify clusters such as livestock, farming, fishing, banking and finance, ICT/digital economy for Somalia, service, transport & infrastructure, and manufacturing, where the maximum number of direct, indirect and catalytic jobs can be created.

A strong, dynamic and empowered labor force is critical in catalyzing and driving the transformations required in making Somalia a competitive and growth-oriented country providing quality jobs to her growing labor force. The ILO estimated Somalia employment to population ratios for Somalia at 41%. The labor force participation rate was estimated at 65.9% and 37.6% among males and females, respectively. Amongst the youth, male youth aged 30-34 years had the highest labor force participation rate of 83.3% compared to females (44.0%). Among the adults, male adults aged 45-49 years and 35-39 years had the highest labor force participation rates at 86.6% and 86.4%, respectively. This was about twice the labor force participation rates for females in the same age cohorts. Also, the urban population had the lowest labor force participation rate at 40.1% compared to 56.7% for the rural areas.

Investment in skills development brings quick gains to the country's economy. The key investment opportunities for both domestic and foreign investors is to revamp the technical, vocational education training system; institutionalize internships, industrial attachments and apprenticeships; and promote targeted provision of soft skills within framework of public and private employment services. Other measures will be the promotion of entrepreneurship, especially for the youth; enhancing linkages between industry and education and training institutions through the triple helix approach; strengthening labor market information system; and implementing targeted active labor market programmes focused on influencing labor supply, demand and intermediation.

The Somali youth show a great level of optimism and commitment to contribute to the development of the people and the country. All they need is a chance to become drivers for peace and stability so that they can bring sustainable and innovative solutions for the reconstruction, recovery and development of their country.

Youth represent a huge untapped resource for social and economic development in Somalia. Economic growth and social stability depend on the youth-employment nexus – in other words, on the capacity to generate actual 'demographic dividend', by creating skilled and unskilled jobs for the local youth.

4.9.1 Human Capital Investment Opportunities

i. Investments in establishing one Technical Industrial Vocational and Entrepreneurship Training [TIVET] in every federal member state and Banadir Region with the capacity to produce 1,000 per annum;
ii. Vocational training centers established in in 6 Federal Member States and Banadir;
iii. Upgrading skills through the support and coordination of the Public-Private Partnership (PPP) model;
iv. Vocationalisation of education through specific training programs;
v. Innovation – Support to early-stage social entrepreneurs working on innovative business models to address gaps in the skilling ecosystem, including programs for persons with disability;
vi. Investments in National Skill Development Management System (NSDMS).

4.10. Service Sector

4.10.1 Education

Due to the two decades of conflict, a generation of Somali children lost the opportunity for formal education and other benefits of a stable childhood. According to UNICEF, Somalia has one of the world's lowest enrolment rates for primary school-aged children – only 30 percent of children are in school and only 40 percent of these are girls. Further, only 18 percent of children in rural households are in school. Substantial investment is needed in the education sector to revitalize the sector and allow generations of young Somalis to join and benefit from formal education.

4.10.2 Education Investment Opportunities

i. Kindergarten Schools;
ii. Primary Schools;
iii. Day and Boarding Secondary Schools;
iv. Centers of Excellence for each Federal Member State & Banadir Regional Administration;
v. Specialized professional and language training colleges;
vi. Training and consultancy services;
vii. Curriculum and books printing services;
ix. Educational material supplies.

4.10.3 Health

Somalia has suffered from a complex humanitarian emergency for the past two decades of internal conflicts, recurrent cycles of prolonged drought and floods. According to WHO-Somalia, the protracted crises and political instability in Somalia have disrupted the health systems leading to gross underperformance.

Persons displaced by floods, drought and conflict are living in temporary IDP camps across the country with limited infrastructure such as shelter, potable water and healthcare services as well as limited supply of food leading to widespread malnutrition. These circumstances created suitable conditions for the spread of communicable diseases such as cholera, measles whooping cough and malaria. These floods, drought and conflict are the main underlying factors responsible for the increasing health needs across the country.

4.10.4 Health Investment Opportunities

i. Establishment of a Mother and Child hospital in each Federal Member State and Banadir;
ii. Establishment of Referral Hospital in each Federal Member State;
iii. Pharmaceutical manufacturing;
iv. Pathology and Diagnostic Imaging Centers;
v. Drug/Medicine Supplies with proper storage capacities;
vi. Somalia Medical Research Institute.

4.10.5 Sports

Globally, sport is recognized as a means to promote education, health, development and peace. Sport has great power. It gives pleasure. It has a positive impact on the physical and mental health of children and young people. Sports teach people values such as fairness, tolerance, respect and discipline. It boosts self-esteem and self-confidence, and increases people's willingness to take on responsibility, life skills which help people to cope with difficult situations, and to take their future into their own hands. Investment in sports grounds is not only attractive infrastructure, they are also places where people can meet, exchange ideas and enjoy companionship.

4.10.6 Sporting Investment Opportunities
The following are examples of areas where investors might consider giving attention to in order to boost the development of the sports industry in Somalia:

i. Construction and management of level one stadium for each Federal Member State to provide standard football pitches, running tracks, swimming pools, rugby, cricket and boxing and other amenities;
ii. Sports Education: continuing education for coaches and trainers is equally vital for sports development in Somalia;
iii. Sports equipment supplies;
iv. Gym and Fitness centers.

4.10.7 Real Estate and Construction
A new housing boom in Somalia, riding on increased demand from a sizable population returning from the diaspora in the wake of stability, has seen the emergence of elegance, class and tastes in the sector, which has led to an appreciation in the real estate sector. A number of successful residential projects have been undertaken in Mogadishu and in a number of Federal Member States. Most notable are Darussalam Estate, Jazeera Estate in Kismayo and in Hargeisa.

4.10.8 Real Estate and Construction Investment Opportunities
i. Real estate developers;
ii. Interior décor;
iii. Realtors services;
iv. Surveyors and assessors services;
v. Architectural services;
vi. Urban planning consulting services;
vii. Property management;
viii. Long term Real Estate financing/mortgage;
ix. Paint manufacturing;
x. Glass manufacturing;
xi. Block manufacturing;
xii. Door and Window manufacturing;
xiii. Cement Plants.

4.10.9 Media and Information
The media landscape in Somalia has suffered and improved in tandem with the realities on the ground. Many significant improvements have happened since 2012 due to the stability. There is more freedom of expression and change in content, from reporting war to development content.

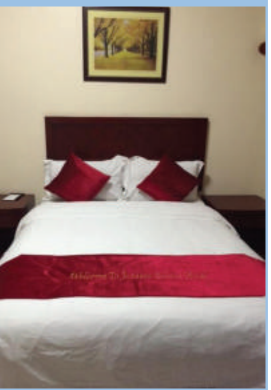
Radio, TV and online news websites remain the main source of information. These have reduced the dominance of print media, especially with the absence of printing services in the country. Media is a key platform to advance the progress and development of Somalia in all spheres of the society.

4.10.10 Media and Information Investment Opportunities

i. Multimedia/Media Training Institute;
ii. Investments in a Printing Press;
iii. Investment in Multimedia Content Production;
iv. Investments in Daily Newspapers;
v. Investments in technology, such as live streaming;
vi. Investments in Public Relations Services;
vii. Investments in Strategic Communication Services;
viii i. Investment in Media Agency platforms;
ix. Investments in Out-of-Home Advertisement.

4.10. 11 Hospitality and Tourism

Due to the increased number of foreign business persons and the Somalia diaspora, the increasing stability in Somalia has encouraged local businesses to invest in hospitality services to match the demand. There is no doubt that traveler's trajectory will be on the rise. Local players must upscale their hospitality products and services in quality and quantity. The current national bed capacity is estimated at 100,000, which is far lower than the current demand.



4.10.12 Hospitality & Tourism Investment Opportunities

i. Investments in Aviation sector;
ii. Investment in Tour services;
iii. Investments in Cruise and Cultural tourism;
iv. Investments in Conference and Convention Centers;
v. Investments in Business Hotels;
vi. Investments in Airport Hotels;
vii i. Investments in Suite Hotels;
viii i. Investments in Extended Stay Hotels;
ix. Investments in Serviced Apartments;
x. Investments in Resort Hotels.

5.0 ILLUSTRATIVE INVESTMENT TYPES

Implementing this strategy will take considerable effort, and it demands that investment needs, investment types and financing modalities combine to support more optimal investments. Investment types will be determined – on a portfolio and case-by-case basis – based on the outcomes of the following actions:

i. Identify and develop new capital financing modalities to increase capital inflows to accelerate development and economic growth in alignment with the SDGs;

ii. Identify bankable anchor and ancillary projects, of various sizes and risk/return profiles suited to different types of capital, assist investors conduct feasibility studies and take projects to market (G2B / PPP, B2B);

iii. Build government readiness capacities in formulation, execution, oversight, financial intermediation and socially responsible investing;

iv. Provide investment readiness assistance, evaluate investability and investor appetite (develop pitch books, host investment roadshows, business development / incubation labs for the main urban areas);

v. Identify measures that increase the efficiency and impact of existing (government and donor) funding mechanisms through their intersection with financing – moving from the notion of single-project funding to outcomes-based financing and advise government on how best to navigate the financial ecosystem;

vi. Develop an impact due diligence framework against which projects can be evaluated;

vii. Establish working relations (and where feasible coordination) with the Private Infrastructure Development Group (PIDG), Public-Private Infrastructure Advisory Facility (PPIAF), and World Bank Global Infrastructure Facility African Investment Facility;

viii. Establish a clear set of credit enhancements, guarantees, investment matches, and catalytic first-loss capital for investments aligned with the NIPS;

ix. Map potential investments to selected DINA/RRF priority areas; provide investment readiness under MoPIED; and tie them to correct financing instruments.

6.0. INVESTMENT FINANCING MODALITIES AND ENABLING EXECUTION

6.1 Investment Modalities

Investment Matches – Similar to a matching grant, a matching investment can bring in additional capital. It serves its role by spreading the risk among multiple actors and, depending on who provides the match, it increases confidence in the investment and reduces the cost of due diligence. For example, a local matching fund could be established to match diaspora investments in one of the sectors. The local fund would provide the advantage of localized and specialized knowledge, as well as its presence on the ground. This signals the soundness of the investments chosen for matching funds. The US$10 million Somaliland Business Fund, for example, was a grant-based version of matching funding, providing enterprise start-up and growth support and managed by the World Bank.

Public-Private Partnerships – PPPs have shown promise in the frontier market context. The ultimate benefit to a country and its population is contingent on a strong negotiating position on the part of the government (and lack of undue influence). The advantage of PPPs is that they rely on a foreseeable stream of income and benefit from the reliability (where it exists) of the public actor. Given the still strengthening state structures, traditional PPP agreements should be viewed with skepticism. While robust PPP projects demand solid sector and financial governance to be put in place, Somalia has been implementing projects PPPs for many years. A PPP project is bankable when financiers or lenders are willing to finance it based on Net Present Value. Normally bankable projects are developed by the financing institution or private sector directly.

Diaspora and Remittances – The Somali diaspora is a meaningful source of foreign influx for the country, particularly via remittances: remittances significantly contribute to the Somalia GDP. However, the vast majority of diaspora money goes to expenditure or household-level investments (such as housing). A good percentage of diaspora remittance goes into investments. There is a potentiality in expanding diaspora remittances from direct expenditure [family] support to, sectorial investments which will give families sustainable income. This expansion has a high chance of success given the familiarity with the ecosystem. It has a strong multiplier effect and can contribute to a stronger entrepreneurial ecosystem.

Mobilizing Domestic and African Wealth – There is abundant domestic wealth, both in Somalia and in the region. While most of it is invested abroad, there are compelling reasons for domestic investments, including the strengthening of one's own country which could result in a stronger business climate in which to operate. Domestic and regional investors could also be leveraged as a source of business intelligence and contribute to the investment readiness program. Indeed, since they stand to benefit more than others from the availability of investable and bankable projects, they could contribute to financing upfront the investment readiness efforts. A major consideration is the leveraging of domestic wealth without increasing the issue of elite capture. Current diaspora investors target niches in the economy as they generally avoid competing with domestic elites who exert dominance over major sectors such as energy.

Bilateral Investments – As noted above, foreign governments have shown willingness to invest in Somalia, ranging from China and Turkey to the Gulf States. Predicating foreign government investments in national investment priority sectors to ensure both the capital flows where the FGS has determined a particular need and could counter the undue influence issue.

Impact Investors – Impact investors can provide capital at lower levels of risk-adjusted returns. Impact investors present a promising basis of catalytic capital that can precede other capital. Because of the lesser focus on risk-adjusted returns, impact investors may be a more appealing source of capital. Recently, impact investors have shown willingness to take positions across the debt and equity spectrum, and in some cases to provide the type of de-risking mechanisms.

6.2 Enabling Execution

The NIPS is an action-oriented strategy. The structures necessary to oversee and drive execution will need to be properly resourced; given that institutional capacity is a precondition for sound policy making for both economic and social development. Effective institutions are required for the private sector to thrive; to ensure proper management of a country's domestic resources and external assistance; and to implement home-grown economic policies and reforms. NIPS will be best implemented when core capacities are established and clear lines of responsibilities developed:

i. **Identification and design of investment opportunities –** The NIPS aims to enhance collaborative capacity between the various actors to do the due diligence; and engagement of actors capable to respond to the specific challenges and opportunities within such an investment opportunity are essential.

ii. **Enabling environment** – The enabling environment for investment includes issues like land management, public procurement arrangements, banking regulations, contract management regulations, trade agreements, etc. Priorities will be identified for policy, legal and regulatory development and subsequently followed up.

iii. **Financing architecture** – Most investment opportunity are not expected to be realized through one financing arrangement, on the contrary, we expect that most investment opportunities will require a mix of financing action in e.g. legal and regulatory development, investment in private sector enterprise, investment in addressing social or environmental issues. Each of these elements will require dedicated financing arrangements, where different sources of finance have different comparative advantages.

iv. **The economy needs to diversify and innovate** – Diversification means entry into new markets or significant scale up of existing markets, hence we need to innovate and develop new products, new markets and new ways of addressing the socio-economic challenges Somalia is facing. For this we need to invest in innovation arrangements.

7. THEORY OF CHANGE, PRINCIPLES AND PRIORITIES

This section provides a short summary of overall investment theory (accelerating output production, import substitution and export promotion) alongside the principles (i.e. centrality of enabling reforms, private capital), priorities (most essential investments that are achievable) and enablers (supporting hard and soft systems and infrastructure to make the NIPS a reality on the ground.

7.1 Theory of Change

Somalia was once a dominant regional power in East Africa, and the Gold Coast was a regular tourist attraction for international arrivals until the civil war in 1991. Since this time, internal conflict, insecurity, drought and external meddling in internal military affairs have all undermined the Somali economy; leading to a volatile investment environment. In recent years, however, the Federal Government of Somalia has been able to re-establish the foundations for accelerated investment. And still, at the same time, investments do take place, innovation in business development does happen, civic movements to claim transparency and accountability are emerging, the government is gradually strengthening itself and taking more and more its governance role in society. The Somali society, and especially the youth, is eager to stimulate development, to establish business and to grow out of poverty.

The precondition of the traditional theory of change is that a long sequence of reforms must be undertaken as part of an overall structural adjustment approach, allowing each change to lay the foundation for the next action. A fairly standard approach to economic development in fragile states is to first improve state capacity, reach political settlement, strengthen the social contract and empower civil society in order to hold governments more accountable. All these change reforms were and still under implementation.

Somalia has a limited capacity to invest in the 'traditional' enabling environment for private investment through state investment (e.g. in infrastructure), which is severely restricted. Hence, this means that the role of non-state financing in investment opportunity is significant.

Somalia's complex ensemble of influencing factors on economic development requires a 'theory of change' that is finetuned to the Somalia reality. An investment strategy cannot have one objective, e.g. realizing investments; it needs to be built around a multitude of targeted impacts in society. These targeted impacts are our 'northern lights' – these are the 'criteria' against which we will make our decisions.

Investment also needs to contribute to diversification of the economy. The overwhelming dependence on a single sector makes the economy vulnerable:

- **Investment needs to contribute to peace and stability –** Investments are not neutral form a political perspective. In the specific context of Somalia, specific investment arrangements need to take into consideration the political situation and ensure that at the minimum the ongoing political processes towards peace and stabilization are not disrupted; and,

- **Investment need to contribute to a sustainable productive environment** – Somalia is sensitive to climate change and sensitive to disruption. We simply cannot afford to destroy productive land and our ecosystem. Hence, investment needs to be clean, environmentally friendly and based on sustainable use of resources.

An investment promotion strategy is obviously about attracting investment. However, as we indicated above, attracting investment per se is not sufficient to address the challenges and opportunities Somalia is facing – we need to be able to attract the 'right type of investment'.

Investment is a tool to realize development objectives and realizing these objectives requires multiple parties, including the government, domestic private for-profit sector, domestic private not-for-profit sector, academia, international donor agencies, international finance institutions, international private investors – traditional investors and investors seeking social impact, domestic and international business service providers, and many others. We strongly believe that none of these actors can bring about the desired change in Somalia on its own.

Secondly, investment opportunities are not static. Changes will occur, new opportunities will emerge, and new insights will be gained. Hence, for an investment promotion strategy to work on the medium and longer term, it has to be flexible and create the network of relevant actors to continuously review and update the approach. This means that the core of strategy has to focus on engagement of these different parties around investment opportunity in Somalia, and as a consequence the Somali National Investment Promotion Strategy is built as an engagement strategy. Taking into consideration the above characteristics of the 'investment environment' in the country, the strategic approach that underlies the present NIPS is based on the following theory of change.

- **Over-Arching Theory: An Enterprise Driven Development Approach –** A complementary approach combining a more standard sequence with opportunistic disruption aimed at making leaps and bounds in certain areas of the economy. Such an approach recognizes that unless fundamental areas of reform are undertaken the entire development process will be delayed. Such an approach implies prioritizing the most necessary reforms to encourage private enterprise first, given that increased economic output and export promotion will have direct, indirect and spillover effects on the wider economy. This implies making a fundamental shift in regulatory and business process reforms, being opportunistic and building centers of (such as Special Economic Zones) that can bring catalytic change. Such an approach requires a focus on the key accelerators of growth. Moreover, and linked to the Recovery and Resilience Framework (RRF), the impact of proposed investments must aim to be broad based.

- **Using the Regulatory Guillotine –** Though a Trademark process, the Government proposes to use a regulatory guillotine approach, where very complex legal and regulatory reforms are not resolved by the slow repealing of legacy laws and their subsequent replacement, and instead an entire sector or business process will be formed by repealing all regulations at one moment, putting in place a unified, holistic but simplified regulatory structure more aligned to regional and global practices. Following the Doing Business distance to frontier markets approach assists in targeting investment reforms to close the regional gap first.

- **Being Opportunistic Wherever Possible –** For example, the recent peace agreement between Ethiopia and Eritrea has precipitated a discussion with Ethiopia on trade relations and ports development. Such an opportunity can be a game changer in terms of regional economic cooperation, in infrastructure and corridor development, in promoting exports and in trade facilitation. The international move to adopt blended finance for the Sustainable Development Goals now presents an opportunity to draw down the risk for private capital for key investments. Strategic interests of non-traditional donors such as the Turkish, Gulf States and China presents another opportunity.

- **Targeting Critical Constraints to Private Enterprise through Public Private Dialogue** – Government believes that it is critical that constraints to private enterprise are best expressed by the private sector itself. Relying on expert opinion has some utility, though much of this expertise has a public sector background. Listening to alternative solutions and workarounds will be made central to the NIPS process.

- **Accelerating Blended Finance** – Lowering risk and expanding the use of private capital is best achieved through a blended finance approach. Such an approach combines public and private funds that are not seeking a profit with private equity that is seeking profit, in order to reduce the risk of investment. First loss catalytic-finance, securities, credits and grants can allow private equity to invest in sectors such as energy, housing, exports and product value chain development. Blueprints will be required, as will basic legislation and regulatory controls.

- **Creating Centers of Excellence** – Rather than seeking to enable reforms across the entire economy at one go, focus efforts to create centers of excellence allows limited resources to have maximum effect. Special Economic Zones for example – not only improve the enabling environment and provide security – but it encourages formalization and allows service packages to be provided at the point of delivery. The spinoffs from SEZ are well documented, as are the induced benefits to wealth creation. Similarly, given the renewed focus on port development and fisheries development, developing cold storage systems and small-scale industrial processing around these hubs can improve exports and reduce import dependencies.

- **Identifying Critical Anchor Investments** – Some type of investment can generate other investment. For instance, free trade zones, trade corridors, energy, innovation labs are investments that on their own have their returns, but by their nature attract subsequent investment driving on the initial investment; creating strong multiplier effects. Identifying national anchor projects – and anchor investors – allows ancillary and spinoff investments to also be made, to widen the distributional impact. A port linking Somalia to trade with Ethiopia requires roads, improved customs harmonization, storage facilities, transport and fuel; for example.

- **Investing in Human Resources, Technical and Vocational Education and Training (TVET) and Business Development Services** – Entrepreneurship is a combination of personal characteristics to do business and the availability of and access to a network of related business and business development services. New technology requires skills and competencies, for which training and TVET arrangements are necessary. Businesses have forward and backward linkages that require networking among these providers. Business development requires services in the sense of business management, marketing, accounting, legal counseling, special product design, etc.

- **A Strong Federal Member State Level Approach** – Given the relatively limited capacities of the Federal Government, critical to success is empowering the federal member states to identify, prioritize and own their own enterprise development approach, guided by the NIPS. While NIPS targets have been set nationally, actual priorities must be set at the federal member state level in support of subsidiarity, and to make sure that priorities reflect the rather specific and often idiosyncratic nature of each state.

There will however only be one NIPS, with regional investment priorities outlined. Moreover, given that Somalia currently exhibits vertical (between sectors) and horizontal imbalances (between states), federal coordination and oversight is important. That said, and as fiscal federalism improves, success scored and failures experienced in a single member state must be replicated or discontinued respectively. For national level reforms – i.e. to financial, credit or insurance markets, natural resources or integrated infrastructure – coordination between the federal level and member states will have the effect of improving inter-governmental relations.

The theory of change discussed above is based on the idea that many reforms can be expedited through improved prioritization, allowing Somalia to overcome the legacy of war and leap forwards. This focuses on an approach whereby the time taken for reforms is shortened, and agile management systems developed wherever possible. Moreover, given the advent of blended finance, it is now possible to structure investment deals in a way to draw down the risk to investors, but providing first-loss-catalytic finance alongside risk mitigation grants. In other words, using a balance of (i) improved prioritization and sequencing (ii); deploying a regulatory guillotine (iii); investments in e-governance wherever possible; and (iv) the judicious use of blended financing modalities, can emerge as a more efficient approach.

Finally, critical to the proposed theory of change for the NIPS is to recognize that practical and implementable measures are preferred over a more theoretically complete approach that never gets off the ground.

8. SOMALIA INVESTMENT PRINCIPLES

The basic principles upon which the NIPS has been established in relation to investment protocols and approaches of cooperation and coordination are as follows:

i. **Non-Discrimination** – Ensuring non-discrimination between Somali and non-Somali investors, and non-Somali investors amongst each other;
ii. **Protection of Property** – Ensuring property protection for all investors in accordance with what Somalia law mandates (including both physical security and the rule of law);
iii. **Investor Grievances** – Encouraging the sustainability of investments and taking clear, transparent steps in dealing with investor grievances;
iv. **Simplification of Somalia National Investment Promotion Codes** – Establishing a National Investment Code as a unified and harmonized body of law to simplify investment;
v. **Public Private Dialogue** – Pursue public private dialogue in relation to all relevant policy, legal and regulatory decisions with representatives of the private sector;
vi. **National Treatment –** National investment codes will treat domestic and foreign investors as equals under law;
vii. **Foreign Direct Investment** – Streamlining procedures and policies fostering FDI technology transfer;
viii. **Diaspora investment** – Extensive drive to encourage the Somali diaspora to invest back home is also considered to be hugely potential. In this regard, NIPS proposes a number of measures to safeguard their investments and address the issue of dual citizenship;
ix. **Business Process Simplification through E-governance** – Where possible, business process simplification will be supported by e-governance solutions that not only lower the costs of provision but also increase access;
x. **Knowledge Economy to Promote Human Capital** – Enhancing human capital and expansion of the knowledge-based economy;
xi. **Business Process Simplification** – Streamlining procedures related to entry and settling in of foreign employees, technicians, and managers—to work for foreign investments in accordance with Somali law and its international commitments;
xii. **Implement Social and Environmental Standards** – Social and environmental impacts of greenfield and brownfield investments will be taken into consideration at the pre-investment phase.

9.0 INVESTMENT PROMOTION STRATEGY

The NIPS presents the most optimal plan to achieve government's foreign investment attraction and retention objectives. It builds from a clear understanding of development policy history, but is strongly rooted in the development context of Somalia. Somalia's private sector is a hugely valuable asset and an important partner for the government and development actors. Many Somali entrepreneurs are skillful and willing to invest in Somalia. Increasing incentives based on a level-playing-field can lead to a huge acceleration in economic development, with investors in the diaspora also heavily invested in many sectors.

9.1. Target Actions

The target actions are coordinated with the NDP in 2017 and reflect the enterprise driven development approach made central to this strategy.

9.1.1 Easing Starting a Business

To ease doing business, the Ministry of Commerce and Industry has already implemented key aspects of the Economic Development Roadmap. This includes drafting and enacting legislation related to licensing and business trademarks, protecting intellectual property rights, company law and one-stop shop for businesses and company registration.

Supported by the establishment of the Somalia Bureau of Standards, key products and services will begin to inherit both national and international standards. The execution of NIPS will require considerable efforts to be made in the improvement of the following key areas;

9.1.2 Strengthen Business Statistics and Standards

The Ministry of Commerce and Industry has initiated the process of setting national standards and establishing the Somalia Bureau of Standards; as a first step for improving market regulation and product and service compliance. While adopting national and international standards paves the way for greater trade harmonization with the regional and global economies, it also promotes exports through value chain development.

The government will invest heavily in strengthening the National Bureau of Statistics with the support of international partners and improve the collection and analysis of enterprise related data, collected via the One-Stop-Shop, sector enterprise engagement and enterprise related surveys.

In order for enterprise data to be collected, centralization of data collection and analysis will be undertaken and integrated within the national statistical master plan. Moreover, economic metrics such as employment multipliers, net present value of evaluated existing investments, economic and social rates of returns will be established.

9.1.3 Improve Access to Finance/Credit

The government – supported by the IMF Staff Monitored Program and World Bank in particular – has put in place a policy and regulatory regime to improve market access to finance and credit control. The Ministry of Finance will pursue the medium-term goal of HIPC relief and all state ministries of finance will work to expand access to financial markets, including by women and youth entrepreneurs. In this regard, the primary activities to be undertaken include:

i. improving the licensing, regulation and supervision of financial institutions (ii) implementing the currency reform roadmap;

ii. improving the legal and operational framework of Anti-Money Laundering and Combating the Financing of Terrorism;
iii. implementing a Financial Inclusion Strategy linked to the development of new and improved financial products;
iv. establishing a credit registry; and
v. An Export Credit Facility to promote exports and improve the balance of trade.

9.1.4 Expand Access to Electricity

Expanding access to cheaper electricity is critical for small scale industrial growth. Somalia has one of the most expensive electricity rates, $0.5-$1 per kilowatt, and correspondingly the lowest rates of electricity usage in the world. The NIPS focuses on investments to support the expansion of standalone Off-Grid Solutions through improved energy financed and financing modalities. The government will put in place Independent Power Producer (IPP) Agreement and Power Purchase Agreement (PPA) models, develop a Tariff Index and outline incentives for enterprise investment. A blended finance fund linked to independent power generation will be considered as an alternative energy financing modality, to draw down investment risk through the use of catalytic grants. The Ministry of Power and Water (MoPW) will lead this effort, with federal member states; and strong private sector participation.

9.1.5 Improve Access to Land and Property Registration

Simple, transparent procedures to register property are associated with the security of property rights and the absence of corruption. Land is a primary capital input for economic development, and though current land policy and laws must be radically overhauled, the primary concern here is to make land available to enterprises for productive purposes, for housing, ports and corridors, and power generation facilities.

In order for the Federal Government to reconstitute existing land ownerships arrangements, a detailed Cadastral Survey will be launched and a feasibility study will be undertaken to establish an independent Somalia Land Authority. This authority would

i. constitute the State-Owned Land inventory;
ii. undertake Land Registration through Cadastral Survey Process;
iii. initiate land registration through the land rights / customary identification process;
iv. provide land transfer and exchange to government agencies;
v. lease land to the private sector; and
vi. establish systems for land dispute resolution.

Support will be required for such a process. To support port development, resource corridors, special economic zones and other strategic trade infrastructure, a Land Concession Framework will be developed and Land Development Corporation Law drafted and enacted. Government aims to simplify the time taken for land and property registration, and municipal functional assignment need to be confirmed. Currently, the property transfer is registered at the Court of Appeal, and if the property is being used as collateral for investment, court registration is required.

9.1.6 Construction

Building laws and regulations need to be updated / developed and made accessible. Moreover, quality controls prior to and during construction need to be established, though final inspection is occasionally provided; though is not mandatory, an entire cadre of professional architects and drafters must be developed, linked to colleges and university professional qualifications. Revenues from construction permits and building regulation compliance can be managed by municipalities, increasing revenues linked to expanded services. The focus of the NIPS is to make the entire construction permit process mandatory, as a clearly defined business process that it be based on standard regulations and practices.

9.1.7 Improve Revenue Administration and Mobilization

Somali authorities continue to improve Somalia's fiscal framework, including its revenue collection performance. Currently, and despite efforts, the revenue to GDP ratio remains low and reflects weak administrative capacities. The Ministry of Finance is working on the revenue generation bill that will expand the revenue stream for the federal government of Somalia.

However, for Somalia to improve its revenue performance to 10-15% of revenue to GDP, the NIPS supports the proposal to lay the foundation for establishing an independent Somalia Revenue Authority, and to implement recommendations made by the NEA/NEC and World Bank Mobilizing Domestic Revenue report.[10] While the Inland Revenue department of the Ministry of Finance will continue this effort, options for a new model may be required.

9.1.8 Blended Finance / Public Private Partnerships

While relatively new to the world of development finance, blended finance (the strategic use of concessional finance to catalyze additional private-sector or commercial investment) in Somalia has been initiated through the Recovery and Resilience Framework (RRF) process. Options identified by the UNDP note on 'Funding to Finance' are acknowledged and early discussions to establish a Blended Finance Facility are ongoing. Blended finance complements existing public and private financing, and it includes Public Private Partnerships (PPP).

The government will focus on deploying blended finance to achieve a commercially acceptable optimal risk/reward ratio in key sectors such as energy, ICT, agriculture, infrastructure and service sectors; for example.

The MoPIED, supported by the Ministry of Finance and relevant sector ministries, will establish a Research & Development (R&E) unit within the SOMINVEST to lead the formulation process for blended finance investment pitches. In addition, the following steps will be undertaken:

i. Establishing a joint Public-Private Council for Economic Affairs;
ii. Establishing guidelines and regulations for Special Purpose Vehicles (SPVs);
iii. Establishing laws and regulations for Special Economic Zones; and
iv. Establish blueprint for Offtake Agreements.

The proposed Somalia Blended Finance Facility (SBFF) will build national capacities and provide advisory to public and private parties on specific investments. MoPIED will attract net new capital, as opposed to recapitalization of the existing asset base.

9.1.9 Local Content Requirement in Government Procurement

The Government is one of the biggest buyers in the domestic market. The strategy considers this an opportunity and advocates that government contracts be procured with local content and local production requirements to the extent possible. This way the government, as a major buyer, helps promote local competition and create demand for local production.

The Ministry of Finance will review the National Procurement Act and lead the establishment of the National Procurement Agency (NPA). The government will avoid problems with over-centralization and low budget execution rates. The MoF will provide support to establish the NPA and will develop a strategy on local content, and once a new national currency is introduced, a preference for procurement in that currency for locally procured items.

9.1.10 Protecting Minority Investors

Efficient capital markets require equitable rights to protect investors from management abuses and ultimately, expropriation of income by corporate insiders. The government will, therefore, strengthen legal and regulatory measures in order to protect the rights of minority investors by

10 http://documents.worldbank.org/curated/en/552691501679650925/pdf/117729-WP-P159934-PUBLIC-2-8-2017-15-34-47-SomaliaEconomicUpdateNoFINALJuly.pdf

increasing transparency by detailing directors' duties by law while increasing the disclosure of party transactions, annual reports, expanding minority investors' rights to sue directors in case of gross mismanagement, and opening the company's books for shareholder inspection. In the medium term, the government will consider establishing an alternative dispute resolution mechanism and in the longer term constitute specialized commercial Court for Commercial Disputes.

9.1.11 Regional Economic Cooperation

Somalia's trade, current account and fiscal deficit must be reduced. The government will work towards greater regional economic cooperation, COMESA, IGAD, Africa Continental Free Trade Area and GAFTA to include investment. The tripartite agreement signed between the leaders of Somalia, Ethiopia and Eritrea on 6th September 2018 provides an opportunity to strengthen regional ties and provide further support to Somalia's economic progress.

Outside of maritime and coastal linkages, there is potential to link Somalia with Ethiopia, South Sudan, Uganda and Central Africa, through the rehabilitation of inter-state and inter-regional road corridors and development of transit service facilities. Currently, however, the only established corridor connecting Somalia with the rest of Africa is the Berbera–Addis Ababa Corridor, though Kismayo may also provide a competitive route to Nairobi and Kampala once it is developed. Inland integration must be married with trade harmonization, a center of excellence approach based on viable anchor investments.

The potential for developing transport and logistics hubs (multimodal transport hubs and trade logistics hubs) is best coordinated with a push to establish free zones across major cities, linked to transport hubs. Location is key. Multimodal hubs and ports are now standard economic models deployed across the world, and they would work well in Somalia if deployed around key trade corridors. In this regard,

9.1.12 Innovative Financing & Remittances

The government will assess the feasibility of developing special financial instruments and facilities (emergency funds, contingency financing, etc.) at the federal level, options for financing structures and new flows of capital from impact investments, social finance, and other underused channels, through which Somalia investment priorities may be funded and also how remittances and other private capital flows can be channeled toward aligned private investments.

9.1.13 Sectoral Value Chain Development

Sector ministries are actively involved in value chain development programs, across many productive and enabling sectors. Moving beyond single sector investments is important for economic diversification. Given moves to open up regional cooperation and the structure of import and exports, the NIPS proposes to link value chain development with economic complexity and product space development analysis. An analysis of the Revealed Comparative Advantage (RCA) of imports and exports – over time – assists policy makers and investors in investing in value chain capabilities where products have a known market.

Government will target value chain development by removing the primary constraints across the input suppliers, producers, transporters, storage agents, processors, marketers, wholesale, retail and export elements. Lowering the costs of production through expanding access to inputs will be considered, to include finance, energy and water. Moreover, Government will use PPD and business enterprise surveys to identify investment entry points.

9.1.14 Diaspora investment Outreach

The government will launch a comprehensive outreach program to attract and harnesses the knowledge, experience and capital of Somalia's diaspora community as a means of improving both inward and foreign investment. Government aims to link the federal and state level innovation hubs and other platforms to nationals, and the diaspora, as a foundation for reducing the risks associated with business startup failure.

9.1.15 Mainstreaming Investment Promotion

The government will fully establish the Investment Promotion Agency (IPA) and encourage a Public Private Dialogue Platform for the NIPS. The strategic location of SOMINVEST within the MoPIED will enhance the execution arrangements and linkages of the NIPS, NDP9, iPRSP and RRF. These structures will be supported by alignment with international initiatives.

The government will also actively pursue new institutional alignment that may include, among others, the following:

i. **The Private Infrastructure Development Group (PIDG)** mobilizes private sector investment to assist developing countries in providing infrastructure vital to boosting their economic growth, and combating poverty;

ii. **The Public-Private Infrastructure Advisory Facility (PPIAF**), a multi-donor trust fund providing technical assistance to governments in developing countries to create an enabling environment for private investment. This includes the necessary policies, laws, regulations, institutions, and government capacity. PPIAF also supports governments to develop specific infrastructure projects with private sector participation;

iii. **World Bank Global Infrastructure Facility (GIF),** a newly established facility focused on expanding the universe of infrastructure projects (including investments in power, transport, water and sanitation) that have the potential to mobilize private investment, through support across the project preparation and transaction process;

iv. **African Investment Facility (AIF),** aimed at supporting sustainable growth in Africa through what amounts to a blending facility covering transport, communication, water, energy as well as agriculture and private sector development, in particular SME's. The AIF combines grants (non-refundable financial contributions from the European Union) with other resources such as loans from Development Finance Institutions to leverage additional financing and increase the impact of EU aid; and,

v. **Asian Infrastructure Investment Bank (AIIB)**, a multilateral development bank with a mission to improve social and economic outcomes in Asia and beyond. A number of African countries are already members, broadly linked to the Belt and Road Initiative, as China, the Gulf States and other investors seek to make considerable sovereign and private investments in the Horn of Africa. It provides or facilitates financing to its members as well as to international or regional agencies or entities concerned with economic development of the Asia region (which can include overseas interests).

9.1.16 Investment Promotion Zones

The Federal Government of Somalia, through its investment promotion office- SOMINVEST at the Ministry of Planning, Investment and Economic Development, intends to roll out extensive investment promotion roadshows and sectoral events in order to enhance targeted investment flow to Somalia. This will include creating investment promotion zones based on investment relations with Somalia for both traditional and new investment sources. The promotion aspect of the NIPS will ensure the right investment is attracted to the country, including the diaspora investment.

9.2 NIPS Matrix of Proposed Actions

The Matrix of Measures outlined below presents target activities identified by the NIPS as critical to achieving the overall objective. The aim is to remove the factors that inhibit domestic and foreign entrepreneurship, with the measures outlined given their assumed wider impact on the overall economy.

Activity	**Priority (1) High (2) Medium (3) Low**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Suggested Lead** Stakeholders
Building Institutional Capacities								
Operationalize Investment Promotion Office [SOMINVEST] at MoPIED.	1							TBD
Operationalize the National Economic Council (NEC).	1							TBD
Plan and Resource Framework.	**1**							TBD
National Monitoring and Evaluation Framework.	**1**							TBD
Draft and produce the National Aid Policy.	**1**							TBD
Draft and produce the National Development Plan 9 based on iPRSP.	**1**							TBD
Easing Starting a Business								
Unified Somali National Investment Codes.	1							TBD
Operationalization of FIB.	1							TBD
Implementation of Companies Law.	1							TBD
Operationalizing the MoCI One-Stop-Shop.	2							TBD
Streamline Business Licensing.	1							TBD

Reduce Time for Business Certificate Issuance.	1							TBD
Strengthen Business Statistics and Standards								
Establish Somali Bureau of Standards	2							TBD
Strengthen National Bureau of Statistics.	1							TBD
Firm-level Survey and Business Constraints Assessment	1							TBD
Collect and Centralize Firm Data.	1							TBD
Improved Tax Policies and Practice.	1							TBD
Establish a database to monitor trade balance for exports and imports.	3							TBD
Develop Employment Multipliers.	3							TBD
Improve Access to Finance / Credit								
Improve licensing, regulation and supervision of financial institutions.	1							TBD
Implement Currency Reform Roadmap.	2							TBD
Improve the legal and operational framework of AML/CFT.	1							TBD
Implement Financial Inclusion Strategy.	1							TBD
New Financial Products.	2							TBD
Improve Currency Convertibility.	1							TBD
Establish Credit Registry.	2							TBD
Establish Export Credit Facility.	2							TBD
Introduce International Financial Reporting Standards (IFRS).	1							TBD

Expand Access to Electricity								
Independent Power Producer (IPP) Agreements.	**1**							TBD
Power Purchase Agreement (PPA).	**1**							TBD
Develop Tariff Index.	**1**							TBD
Outline Incentives for standalone Off-Grid Solutions.	**2**							TBD
Energy Financing Solutions Including Risk Mitigation / Catalytic Grants.	**2**							TBD
Improve Access to Land and Property Registration								
Feasibility Study for Somali Land Authority (SLA).	**2**							TBD
Federal Cadastral Survey / State-Owned Land inventory.	**2**							TBD
Develop Land Concession Framework.	**2**							TBD
Develop Land Development Corporation Law.	**3**							TBD
Land Registration through Cadastral Survey Process.	**3**							TBD
Land registration through the land rights / customary identification.	**3**							TBD
Provide land transfer and exchange to government agencies.	**3**							TBD
Private Sector Land Leasing.	**3**							TBD
Establish Land Dispute System.	**3**							TBD
Construction								
Establish Mandatory Construction Permit Process.	2							TBD

Assess Qualification and TVET Related Market Skills Development.	1							TBD
Improve Revenue Administration and Mobilization								
Establish Somalia Revenue Authority.	1							TBD
Blended Finance / Public Private Partnerships								
Joint Public Private Council for Economic Affairs.	1							TBD
Approve PPP Law and Regulations.	2							TBD
Regulations for SPVs	2							TBD
Establish SEZ Regulations.	2							TBD
Blueprint Sample Off take Agreements.	2							TBD
Somalia Blended Finance Facility (SBFF).	1							TBD
Local Content Requirement in Government Procurements								
Strengthen Local Procurement.	1							TBD
Develop Local Content Strategy.	1							TBD
Re-Introduce National Currency.	2							TBD
Protecting Minority Investors								
Company Law	1							TBD
Foreign Investor Protection Framework.	1							TBD
Establish an alternative Dispute Resolution Mechanism [mid-term] Specialized Commercial Court for Commercial Disputes [long-term].	1							TBD
Establish Corporate Transparency Index	2							TBD
Regional Economic Cooperation								
Review / Establish Trade Agreements	**2**							TBD

Infrastructure Financing Strategy	**1**							TBD
Establish Special Economic Zones	**1**							TBD
Establish Industrial Parks Policy	**2**							TBD
Regional Corridor / Port Development	**2**							TBD
Innovative Financing and Remittances								
Islamic Finance Expansion	**1**							TBD
Social and Development Impact Bonds	**2**							TBD
Crowd Funding	**2**							
Guarantees / Investment Matches	**2**							
Introduce Agile Management	**1**							TBD
Value Chain Development								
Industrial Support Program and Packages etc.								TBD
E-Citizens Portal								
Conduct Scoping / Feasibility Study	2							**MoPTT, MoPIED**
Diaspora Outreach, Training / Mentorship								
Establishment of Economic Promotion Zones [US, EU, China, MENA, and Africa & India.	1							TBD
Youth Entrepreneurship Training.	1							TBD
FMS Innovation Hubs.	1							TBD
Social Impact Investment Platform.	**1**							TBD
New Platforms and Institutional Partnerships								
Dedicated Innovation Platform Established.	**1**							

Private Infrastructure Development Group (PIDG).	1							TBD
Public-Private Infrastructure Advisory Facility (PPIAF).	1							TBD
World Bank Global Infrastructure Facility (GIF).	1							TBD
African Investment Facility (AIF).	1							TBD
Asian Infrastructure Investment Bank (AIIB).	1							TBD

10. NIPS IMPLEMENTATION

The NIPS will be implemented by the MoPIED through its Investment Promotion Office [SOMINVEST]. The overall long-term implementation plan will be split into annual work plans, with key performance indicators supported by base, mid and end lines.

10.1 Organizational Coordination

The overall oversight of the NIPS is provided by the Office of the Prime Minister, which leads all federal government business. In addition, the MoPIED and Federal Member State Ministries of Planning are responsible for their relevant sector investment priority identification:

Other institutions listed below will support the implementation of the NIPS:

i. Ministry of Livestock and Pasture;
ii. Ministry of Agriculture;
iii. Ministry of Fisheries and Marine Resources;
iv. Ministry of Finance;
v. Ministry of Energy and Water;
vi. Minister of Labor;
vii. Ministry of Posts and Telecommunications;
viii. Ministry of Commerce and Industry;
ix. Ministry of Foreign Affairs;
x. Ministry of Ports and Marine Transport;
xi. Ministry of Air Transport and Aviation;
xii. Ministry of Public Works and Reconstruction;
xiii. Ministry of Internal Security;
xiv. Ministry of Justice;
xv. Ministry of Interior and Federal Affairs;
xvi. Ministry of Education;
xvii. Ministry of Health and Social Care;
xviii. Ministry of Information;
xix. Ministry of Youth and Sports.

10.2 National Development Council (NDC)

The National Development Council (NDC), which is under the current mechanism of the National Development Plan 9 (NDP9) framework, is a critical structure of the implementation of the NIPS. NDC comprises the Ministry of Planning, Investment and Economic Development (MoPIED) and Ministries of Planning at the Federal Member States (FMS), and it is a platform that both levels share information and exchange ideas, and interact with the other members of the NEC.

10.3 National Economic Council (NEC)

The National Economic Council (NEC) that is mandated to advice on pertinent economic policy matters, as well as provides objective evidence-based economic analysis and policy advice on the development and implementa on of domes c and international economic policy issues. The council will support the implementa on of the NIPS.

10.4 Ministry of Planning and Economic Investment (MoPIED)

The Ministry of Planning, Investment and Economic Development plays a key role in NIPS coordination and implementation. The NIPS is directly linked to the iPRSP. Overall, the macro-planning process, linked to investment and innovation, is developed and overseen by the MoPIED in close coordination with the office of the Prime Minister, other relevant Ministries, Departments, Agencies and the Federal Member States and international partners. The Ministry also houses the Somalia Investment Promotion Office (SOMINVEST), which is the office with the overall responsibility for the formulation and implementation of NIPS.

10.5 SOMINVEST

SOMINVEST is the Somalia Investment Promotion Office, housed at the Ministry of Planning, Investment and Economic Development which is mandated serve as as the first point of contact for foreign investors looking to establish or expand their operations into Somalia. The office also provides support to investors, re-brands Somalia positively and continuously provides policy advocacy on matters of investment. SOMINVEST is the overall responsible office for the formulation and implementation of the NIPS.

10.6 Ministry of Commerce and Industry

The Ministry of Commerce and Industry has an overall responsibility for the formulation, implementation and monitoring of Somali's internal and external trade and manufacturing policy, and is central to the NIPS. The vision of the Ministry is to support the establishment of an open market that supports economic growth and sustainable development. The mission of the Ministry is to promote industrial, commercial development and encourage investments, through appropriate regulations and licensing, in order to encourage the growth of micro, small, medium and large enterprises. The Chamber of Commerce, Commercial Attaches, Cooperative and Foreign Investment Board will support the NIPS.

10.7 Office of the Chief Negotiator to the WTO

The Office of the Chief Negotiator to the WTO, which is housed at the office of the president, is leading the WTO accession process which will provide a unique opportunity for Somalia to engage with the international community and strengthen international cooperation. The relationships built through this process, managed right, will last beyond the event of accession itself and potentially be able to bring long term political interconnectedness and benefits Somalia in the attraction and retention of the much-needed Foreign Direct Investment.

10.8 Ministries, department and agencies

All other line ministries have one or more of the following responsibilities to support the NIPS, as outlined below:

i. Facilitate the identification and review of legislation which impacts on investment promotion strategy to ensure they facilitate the growth of foreign investment;
ii. Support efforts in improving Research and Development (R&D) in cooperation with EPAU, as well as technology transfer and skills development;
iii. Guaranteeing equal access to services and opportunities;
iv. Ensure provision of land and the mainstreaming of environmental safety and protection issues;
v. Make necessary budgetary and human resources available for execution of this strategy;
vi. Facilitate the development of industrial and transport infrastructure and the provision of energy and water requirements to support investment environment;
vii. Support the transition to large-scale commercial production, including the establishment and deployment of agroindustry and special economic zones;
viii. Support the private sector, small to medium enterprises and participation of women, youth and vulnerable groups in the development of key economic sectors;
vix. Strengthen forwards and backwards linkages between manufacturing, industry, agriculture, energy, banking, labor, ICT and the service sector;
vx. Work to improve the business and investment climate.

10.9 Coordination with Federal Member States

Advancing the federal constitution requires that the member states take primary responsibility for a large number of the measures developed here. Not only are the regional councils and regional sector ministries vital elements of the execution of the NIPS, many of the domestic private sector partners have direct relations at the member state level, and with municipal authorities.

10.10 Communication and Outreach

The communications and outreach plan for the strategy will need to be developed, given the importance of bringing government together to implement this plan but as importantly, to engage the private sector. The NIPS communication outreach is critical, as reflected in the proposed budget, as it engaging a more formal process of Government to Business (G2B) and Business to Business (B2B) level consultations. The communications and outreach strategy will be developed by the SOMINVEST at the MoPIED.

10.11 Timeline for Implementation

The NIPS is to be executed over a period of five years. This means that the strategy will continue across electoral cycles to guarantee continuity, with each year being underpinned by an annual work plan. Given that changes in government capacity take many years to come to effect, such a time frame allows the careful sequencing of support measures, supported by new research, learning and impact assessment. The strategy will be aligned to the Medium-Term Fiscal Framework (MTFF) and Medium-Term Expenditure Framework (MTEF).

10.12 Monitoring and Evaluation

A macro-economic and enterprise dashboard will be developed within which the baseline is provided, and mid (interim) and end term targets will be established as part of the annual planning and reporting process. Public private dialogue will be critical to tracking progress and perceptions will also be included. Outcome and impact level indicators will be tracked by the MoPIED through its directorate of monitoring and evaluation.

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